## DOUGLAS SCHOOL DISTRICT 51-1 MEADE AND PENNINGTON COUNTIES, SOUTH DAKOTA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT JUNE 30, 2013



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## INDEPENDENT AUDITOR'S REPORT

School Board Douglas School District 51-1 Meade and Pennington Counties, South Dakota

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of DOUGLAS SCHOOL DISTRICT 51-1 (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and schedules of funding progress and employer contributions for retiree health insurance coverage on pages 3 through 11, 38 through 41, and 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations on pages 50-51 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 24, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

KETEL THORSTENSON, LLP Certified Public Accountants

Latel Thorstonan LLP

February 24, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

This section of Douglas School District 51-1's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2013. Please read it in conjunction with the District's financial statements, which follow this section.

#### FINANCIAL HIGHLIGHTS

The District's net position from governmental and business-type activities decreased approximately \$900,000. The total revenue of the District increased by approximately \$1,100,000, and the cost of the District's programs increased by approximately \$800,000.

The General Fund reported a decrease in fund balance as a result of current year activity of approximately \$362,000. The change in fund balance attributable to the Impact Aid grant awards and interest earnings in excess of transfers out was approximately \$256,000. The District continues to internally maintain a separate Impact Aid fund which is consolidated into the General Fund for financial statement purposes. The ending fund balance of this internal Impact Aid Fund was \$16,638,146 (per Note 12) as of June 30, 2013.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (which is this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District government, reporting the District's operations in more detail than the government-wide statements.

The governmental funds statements tell how general government services were financed in the short-term, as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities that the District operates like businesses. The District's only proprietary funds are the Food Service Fund, Tuition Fund, and Internal Service Funds.

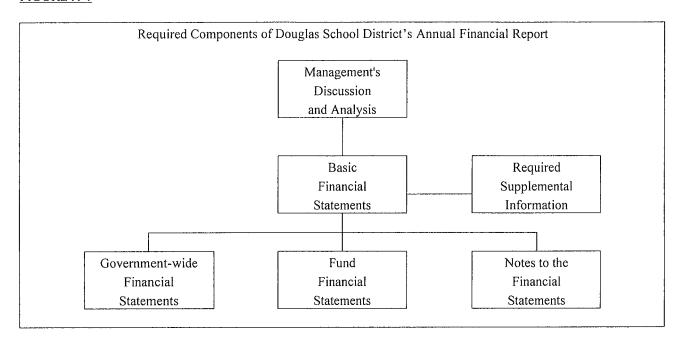
Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong. Most of these are school clubs or clearing accounts.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013

#### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

### FIGURE A-1



#### Government-wide Financial Statements:

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base, changes in the state school aid funding formula from the State of South Dakota, and changes in accounting laws for funds such as Impact Aid.

The government-wide financial statements of the District are reported in two categories:

- Governmental Activities This category includes the District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), extracurricular activities, (sports, music, etc.) and capital equipment purchases or the construction of buildings. Property taxes, state grants, federal grants, and interest earnings finance most of these activities.
- Business-Type Activities The District charges a fee to students to help cover the costs of providing hot lunch services to all students. They also charge for pre-school, after school, and driver's education services provided by the district. The Food Service Fund and Tuition Fund are the only business-type activities of the District.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013

#### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Fund Financial Statements:

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds (such as the Capital Outlay, Special Education and Pension Funds).
- The District Board of Education establishes other funds to control and manage money for particular purposes (such as the Health Insurance Internal Service Fund).

The District has three types of funds:

- Governmental Funds Most of the District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted into cash flow in and out and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary Funds Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short-and long-term financial information. The Food Service, Tuition, and Internal Service Funds are the only Proprietary Funds the District maintains.
- Fiduciary Funds The District is the trustee, or fiduciary, for various external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

## Fund Financial Statements (Continued):

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

## FIGURE A-2

	Government-wide		Fund Statements	
	Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District government (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as elementary and high school education programs.	Activities the District operates similar to a private business- food service, other proprietary, and internal service.	Instances in which the District is the trustee or agent for someone else's resources.
Required Financial Statements	Statement of Net Postion Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Balance Sheet Statement of Revenues, Expenses and Changes in Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/ Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets although they can
Type of Inflow/ Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

#### Net Position

The District's combined net position decreased as shown on Table A-1:

TABLE A-1

		Statement of No	et Position			
	Govern		Busines			
	Activ		Activ		To	
	2012	2013	2012	2013	2012	2013
Current and Other Assets	\$ 22,136,197	\$ 21,684,552	\$ 481,069	\$ 446,776	\$ 22,617,266	\$ 22,131,328
Capital Assets	22,823,536	22,482,382	23,403	78,159	22,846,939	22,560,541
Total Assets	\$ 44,959,733	\$ 44,166,934	\$ 504,472	\$ 524,935	\$ 45,464,205	\$ 44,691,869
Long-Term Debt Outstanding	\$ 1,963,798	\$ 1,962,200	\$ -	\$ -	\$ 1,963,798	\$ 1,962,200
Accounts Payable and Other						
Current Liabilities	4,378,146	4,475,623	48,300	88,143	4,426,446	4,563,766
Total Liabilities	6,341,944	6,437,823	48,300	88,143	6,390,244	6,525,966
Net Position:						
Investment in Capital Assets	22,823,536	22,482,382	23,403	78,159	22,846,939	22,560,541
Restricted	921,700	739,645	_	-	921,700	739,645
Unrestricted	14,872,553	14,507,084	432,769	358,633	15,305,322	14,865,717
Total Net Position	\$ 38,617,789	\$ 37,729,111	\$ 456,172	\$ 436,792	\$ 39,073,961	\$ 38,165,903
Beginning Net Position	\$ 40,885,085	\$ 38,617,789	\$ 373,185	\$ 456,172	\$ 41,258,270	\$ 39,073,961
Change in Net Position	(2,267,296)	(888,678)	82,987	(19,380)	(2,184,309)	(908,058)
Percentage of Change						
in Net Position	-5.55%	-2.30%	22.24%	-4.25%	-5.29%	-2.32%

Table A-1 illustrates a decrease in overall net position of 2.30 percent for governmental activities. Business-type activities decreased 4.25 percent from 2012 to 2013. The activities combined accounted for a total decrease of 2.32 percent.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the District, consisting of compensated absences payable, have been reported in this manner on the Statement of Net Position. The difference between the District's assets and liabilities is its net position.

## Changes in Net Position

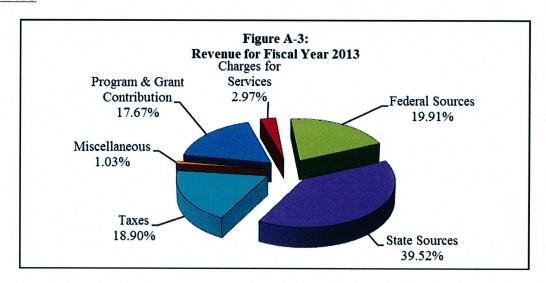
The District's revenues totaled \$24,254,093. Approximately 20 percent of the District's revenue comes from Federal Sources, 40 percent from State Sources, and 19 percent comes from taxes. (See Figure A-3.)

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

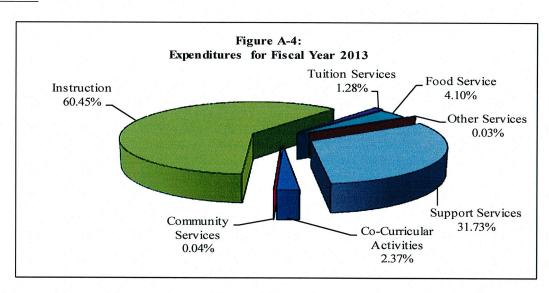
Changes in Net Position (Continued)

### FIGURE A-3



The District's expenses cover a wide range of services, but mainly cover instruction and support services. These account for approximately 93 percent of the total expenditures in 2012. (See Figure A-4.)

## FIGURE A-4



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

Table A-2 and the narrative that follows consider the operations of the governmental and business-type activities.

TABLE A-2

TABLE A-2		Changes in	Net I	Position					
	Governmenta	al Activities	В	usiness-Typ	e Ac	tivities	Grand Total		
-	2012	2013		2012		2013	2012	2013	
Revenues									
Program Revenues:									
Charges for Services Operating Grants and	\$ 176,103	\$ 28,536	\$	510,691	\$	690,867	\$ 686,794	\$ 719,403	
Contributions	3,004,126	3,187,883		583,782		570,198	3,587,908	3,758,081	
Capital Grants and							71 462	525 424	
Contributions	71,463	527,424		-		-	71,463	527,424	
General Revenues:									
Taxes	4,247,381	4,583,765		-		-	4,247,381	4,583,765	
State Sources	9,719,574	9,585,534		-		-	9,719,574	9,585,534	
Federal Sources	4,604,960	4,829,210		-		-	4,604,960	4,829,210	
Other General Revenues	194,311	240,567		383		25	194,694	240,592	
Unrestricted Investment									
Earnings	22,856	10,084		-		_	22,856	10,084	
Total Revenues	22,040,774	22,993,003		1,094,856		1,261,090	23,135,630	24,254,093	
Expenses									
Instruction	15,766,159	15,217,359		-		-	15,766,159	15,217,359	
Support Services	7,713,581	7,986,382		-		-	7,713,581	7,986,382	
Community Services	165,552	9,453		-		-	165,552	9,453	
Co-curricular Activities	662,778	593,393		-		-	662,778	593,393	
Food Service	-	-		1,011,869		1,033,103	1,011,869	1,033,103	
Tuition Services	-					322,461		322,461	
Total Expenses	24,308,070	23,806,587	_	1,011,869		1,355,564	25,319,939	25,162,151	
E Develope (Evnences)									
Excess Revenues (Expenses) Before Transfers	(2,267,296)	(813,584)		82,987		(94,474)	(2,184,309)	(908,058)	
before Transfers	(2,207,290)	(015,504)		02,707		(> 1, 1 1)	(2,101,007)	( )	
Transfers	_	(75,094)				75,094	-		
Increase (Decrease)	(0.0/2.000)	(000 (50)		00 no7		(19,380)	(2,184,309)	(908,058)	
in Net Position	(2,267,296)	(888,678)		82,987		(19,300)	(2,104,309)	(300,030)	
Beginning Net Position	40,885,085	38,617,789		373,185		456,172	41,258,270	39,073,961	
						12 ( 705	# 20 072 CC'	Ф 20 1/E 002	
<b>Ending Net Position</b>	\$ 38,617,789	\$ 37,729,111	\$	456,172	\$	436,792	\$ 39,073,961	\$ 38,165,903	

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONCLUDED)

### Changes in Net Position (Concluded):

### Governmental Activities

The revenues for the governmental activities increased primarily due to receiving a DOD STEM grant that is ongoing for the next 2-3 years, depending on the grade level. There was also a slight increase in the taxes received, and the federal revenue received. The decrease in expenditures is a result of the decrease in funding - expenditures were reduced mainly in the instruction area, but also in many co-curricular activities that were reduced, along with many other small reductions in other areas.

#### **Business-Type Activities**

Revenues of the District's business-type activities generated adequate funds to cover the costs associated with the Food Service program to continue to establish a fund balance for that fund. This indicates that the combination of the federal reimbursement and the prices being charged is sufficient to run the program effectively and efficiently. The revenue for the tuition services did not fully cover the costs associated with running those programs. There has been a tiered approach to increasing the fees charged for participating in those programs, and the Board will continue to review the program fees annually.

#### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The General Fund balance decreased by \$361,520 in the current year due mainly to an increase in the cost of salaries and benefits. The Capital Outlay Fund balance decreased by \$234,123 in the current year primarily due to more expenditures than revenue coming into the fund. The Special Education Fund balance decreased by \$58,120 and ended up with a deficit fund balance of \$293,183 due to additional expenditures in Special Education without new sources for funding and an ongoing negative fund balance in that fund from previous years. A transfer was made into the Special Education Fund, but it did not cover the deficit. The Pension Fund was levied for another year, and ended the year with a fund balance of \$288,123. There were no expenditures from the Pension Fund.

### GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Douglas School District Board of Education approved contingency transfers for unanticipated, yet necessary, expenses to provide items necessary for the education program of the District.

The District's budget changes or variances for the year were minimal and due to unanticipated expenditures throughout the year.

#### CAPITAL ASSET ADMINISTRATION

By the end of 2013, the District had invested \$22.5 million (net of depreciation) in a broad range of capital assets, including land, buildings, improvements, and equipment. Governmental Activities decreased approximately \$340,000 from 2012 due to a combination of \$1,921,107 in purchases/construction and \$2,239,236 in annual depreciation. (See Table A-3.)

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED) FOR THE YEAR ENDED JUNE 30, 2013

### CAPITAL ASSET ADMINISTRATION (CONTINUED

#### TABLE A-3

	 Capital Asse Governmen		Activities	I	Business-T	уре А	ctivities	
	2012		2013		2012		2013	
Buildings	\$ 18,959,380	-\$	17,899,698	\$	-	\$		
Improvements Other than Buildings	1,427,770		1,308,194		-		-	
Equipment	2,314,486		2,539,969		23,403		78,159	
Land	121,900		621,900		-		-	
Construction Work in Progress	-		112,621		-		-	
Total Capital Assets, Net of Depreciation	\$ 22,823,536	\$	22,482,382	\$	23,403	\$	78,159	

The District's fiscal year 2013 capital projects consisted primarily of smaller projects, which included many grounds and minor building improvements. At the end of the fiscal year, a lighting upgrade project was begun and continued into the following fiscal year. That was funded through an interest-free loan from the State of South Dakota that will be paid back over the next 10 years with the savings in energy costs because of the upgrade.

#### LONG-TERM DEBT

At year-end, the District had \$1,962,200 in long-term debt consisting of vacation, voluntary separation, severance pay (sick leave) and post-employment benefits.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's economic position has shown little change in the past few years, but there is some concern that the current economic climate could affect it in the near future. The District has again experienced an increase in total property valuation over the last year. The increase in property valuation allows the District the ability to increase the amount of revenue generated from property taxes, but the total amount that can be levied is limited by the State of South Dakota.

One of the primary sources of revenue to the District is based on a per student allocation they receive from the State of South Dakota. The state aid formula for the current year ensures that property taxes plus state aid will equal approximately \$4,504 per pupil, which is still below 2009 funding levels. There is also concern that the Impact Aid funding at the federal level could be decreasing in the near term, especially if sequestration continues for years into the future. The District enrollment has remained fairly steady - even increasing slightly - from the 2012 to 2013 school year.

Because of the uncertainty of the state aid funding formula, and the questionable Federal funding - mainly in the form of Impact Aid - the District is proceeding cautiously with all expenditures, including any filling of vacant positions, or any new hires.

Taking all that into consideration, the District applied for and received an emergency construction grant from the Impact Aid program, and received the maximum amount (\$4 million) that will be utilized to construct a new elementary building. Approximately one-third of the project will be paid for using the grant, with the remaining funds coming from Impact Aid reserves. It is anticipated the new building will be ready for use beginning in the 2015-2016 school year.

#### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and other concerned individuals with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Douglas School District Business Office at 400 Patriot Drive, Box Elder, SD 57719.

## STATEMENT OF NET POSITION JUNE 30, 2013

	Primary Government					
	Governmental			iness-Type		
	Activities		Activities			Total
ASSETS:	•	10 111 500	Φ.	400.000	Φ.	10.540.500
Cash and Cash Equivalents (Note 2)	\$	18,111,700	\$	430,829	\$	18,542,529
Taxes Receivable (Note 4)		2,387,917		-		2,387,917
Due From State Government		1,142,249		-		1,142,249
Internal Balances		8,731		(8,731)		
Inventories (Note 3)		19,757		23,589		43,346
Other Receivables and Prepaid Expenses		14,198		1,089		15,287
Capital Assets (Note 5):						
Land		621,900		-		621,900
Buildings, Net of Depreciation		17,899,698		_		17,899,698
Improvements Other than Buildings, Net of Depreciation		1,308,194		-		1,308,194
Equipment, Net of Depreciation		2,539,969		78,159		2,618,128
Construction in Progress		112,621		<del>-</del>		112,621
TOTAL ASSETS	\$	44,166,934	\$	524,935	\$	44,691,869
LIABILITIES:						
Accounts Payable	\$	123,770	\$	-	\$	123,770
Other Current Liabilities		2,312,937		65,020		2,377,957
Deferred Revenue (Note 4)		2,038,916		23,123		2,062,039
Personnel Liabilities (Note 6 and 11):						
Due Within One Year		323,715		-		323,715
Due in More than One Year		1,638,485		-		1,638,485
TOTAL LIABILITIES		6,437,823		88,143		6,525,966
NET POSITION:				<b>70.150</b>		22 560 541
Invested in Capital Assets		22,482,382		78,159		22,560,541
Restricted for: (Note 12)						
Capital Outlay		447,475		-		447,475
Pension		292,170		-		292,170
Unrestricted		14,507,084		358,633		14,865,717
TOTAL NET POSITION		37,729,111		436,792		38,165,903
The state of the s	<u> </u>	44.166.024		524 025	· ·	44,691,869
TOTAL LIABILITIES AND NET POSITION	\$	44,166,934	\$	524,935	\$	44,091,809

The accompanying notes are an integral part of this statement.

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

Net (Expense) Revenue and

		Program Reve	nues			Changes in Net Pos		
			Operating	Сар	ital	Primary Governn	nent	-
		Charges for	Grants and	Grants	and	Governmental	Business-Type	
Functions/Programs	Expenses	Services	Contribution	ns Contrib	utions	Activities	Activities	Total
Governmental Activities:								
Instruction	\$ 15,217,359	\$ -	\$ 3,187,88	3 \$ 50	0,000	\$ (11,529,476)	\$ -	\$ (11,529,476)
Support Services	7,986,382			. 2	7,424	(7,958,958)	-	(7,958,958)
Community Services	9,453	7,866			-	(1,587)	-	(1,587)
Co-Curricular Activities	593,393	20,670			-	(572,723)	-	(572,723)
Total Governmental Activities	23,806,587	28,536	3,187,88	3 52	7,424	(20,062,744)	-	(20,062,744)
Business-Type Activities:								
Preschool Service	152,574	59,553			-	-	(93,021)	(93,021)
Daycare Service	86,434	72,850	2,47	7	-	-	(11,107)	(11,107)
Afterschool Service	75,013	59,862		=	-	-	(15,151)	(15,151)
Driver's Education	8,440	8,599		•	-	-	159	159
Food Service	1,033,103	490,003	567,72	.1	-	-	24,621	24,621
Total Business-Type Activities	1,355,564	690,867	570,19	8	-	-	(94,499)	(94,499)
Total Primary Government	\$ 25,162,151	\$ 719,403	\$ 3,758,08	31 \$ 52	7,424	(20,062,744)	(94,499)	(20,157,243)
	General Reven	ues						
	Taxes:	wes						
	Property T	axes				4,284,242	-	4,284,242
	Gross Rece					299,523	-	299,523
		State Sources:				,		
	State Aid	, state sources.				9,585,534		9,585,534
		ı Federal Sources				4,829,210		4,829,210
		Investment Earning	ρς			10,084	-	10,084
	Other Genera		<b>5</b>			240,567	25	240,592
	Transfers	a revenues				(75,094)	75,094	, -
	Total General R	evenues				19,174,066	75,119	19,249,185
	Total General is	CYCITICS				17,17,4000		
	Change in Net	Position				(888,678)	(19,380)	(908,058)
	Net Position - E	eginning				38,617,789	456,172	39,073,961
	Net Position -	Ending				\$ 37,729,111	\$ 436,792	\$ 38,165,903

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2013

		General Fund	Ca	pital Outlay Fund	·	Special Education Fund		Pension Fund		Total overnmental Funds
ASSETS:										
101 Cash and Cash Equivalents (Note 2)	\$	17,363,574	\$	264,510	\$	-	\$	286.786	\$	17,914,870
110 Taxes ReceivableCurrent (Note 4)		1,172,470		584,294		284,204		58,387		2,099,355
112 Taxes ReceivableDelinquent (Note 4)		197,103		65,094		22,318		4,047		288,562
120 Accounts Receivable		4,332		7,413		64		-		11,809
130 Due from Other Funds		125,666		-		-		-		125,666
135 Accrued Interest		780		-		-		-		780
140 Due from State/Federal Government		762,993		208,091		171,165		-		1,142,249
170 Inventory of Supplies (Note 3)		19,757		-		-		-		19,757
192 Prepaid Assets		1,210				•				1,210
TOTAL ASSETS		19,647,885	\$	1,129,402	\$	477,751	\$	349,220	\$	21,604,258
LIABILITIES AND FUND BALANCES:										
Liabilities:	ď	11.107	ď	112 (21	\$	42	\$		\$	123,770
402 Accounts Payable	\$	11,107	\$	112,621	Þ	288,884	Ð	-	3	1,817,877
404 Contracts Payable		1,528.993		-		,		-		117,080
410 Due to Other Fund		-		-		117,080		-		117,000
450 Payroll Deductions and Withholdings		249.104				(5.966				414,060
and Employer Matching Payable		348,194		(24.400		65,866		- (1.007		
474 Deferred Revenue (Note 4)		1,332,919		634,400		299,062		61.097		2,327,478
Total Liabilities		3,221,213		747,021		770,934		61,097		4,800,265
Fund Balances:										
711 Nonspendable - Inventory		19,757		-		-		-		19,757
712 Nonspendable - Prepaid Assets		1,210		-		-		-		1,210
723 Restricted - Capital Outlay		-		382,381		-		-		382,381
725 Restricted - Pension				-		-		288,123		288,123
752 Assigned - Subsequent Year's Budget (Note 12)		5,769.076		-		-		-		5,769,076
760 Unassigned (Note 12) (Deficit)		10,636,629				(293,183)		-		10,343,446
Total Fund Balances (Deficit)		16,426,672		382,381		(293,183)		288,123		16,803,993
TOTAL LIABILITIES AND FUND BALANCES	<u> </u>	19,647,885		1,129,402	<u> </u>	477,751		349,220	\$	21,604,258

# RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO GOVERNMENT-WIDE STATEMENT OF NET POSITION JUNE 30, 2013

Net Position - Governmental Funds	J)	31,149,111
funds are included in the governmental activities in the Statement of Net Position.		37,729,111
such as insurance, to individual funds. The assets and liabilities of internal service		116,374
Internal service funds are used by management to charge the costs of activities,		
Delinquent taxes receivable are not available to pay for current period expenditures and therefore are deferred in the funds.		288,562
Long-term liabilities, including vacation payable, severance payable, voluntary separation payable and other post employment benefits obligation, are not due in the current period and therefore are not reported in the funds. (Note 6)		(1,962,200)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 5)		22,482,382
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total Fund Balances - Governmental Funds	\$	16,803,993

DOUGLAS SCHOOL DISTRICT 51-1

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30,2013

1112   Prior Year's Ad Valorem Traces   93,245   33,085   10,345   2,376   145,585   1190 Femalites and Interest on Taxes   299,522   299,51190 Femalites and Interest on Taxes   10,084		General Fund	Capital Outlay Fund	Special Education Fund	Pension	Total Governmental Funds
1110 Ad Valorem Tunes	Revenues:					
1110 Ad Valorem Tunes	1000 Revenue from Local Sources (Note 4):					
11 Pur Prior Year' And Valoriem Traces   93,245   33,085   16,345   2,376   42,50   1140 Gross Receptis Traces   299,523   -     -     299,510   1140 Gross Receptis Traces   17,753   6,410   3,162   387   27,7   1150 Penalties and Interest on Toxes   17,753   6,410   3,162   387   27,7   1160 General Activities   240		\$ 2,243,075	\$ 1,149,667	\$ 579,863	\$ 114,964	\$ 4,087,569
1140 Gross Receipts Taxes   17.55	1120 Prior Years' Ad Valorem Taxes			16,345		145,051
1190 Penalties and Interest on Taxes			, -			299,523
1500 Earnings on Investments and Deposits (Note 12)   10,084   10,097   100 Coccurricular Activities:	•		6.410	3,162	387	27,712
1700 Courselour Activities			-	-	_	10,084
1710 Admissions		,				,
1740 Renular   240		16.291	_	-	-	16,291
1900 Other Pupil Activity Income			_	-	-	240
1910 Other Revenue from Local Sources:   1910 Remisis			_	_	_	4,139
1910 Rentlats		,,,				1,222
1950 Refund of Prior Year's Expenditures		502	_	_	_	502
1990 Other   15,157				_	_	7,364
210   County Apportionment   220,951	•		_	_		15,157
3000 Revenue from State Sources:   3110 Unrestricted Grants-in-Aid   3,585,534   -   -   -   -   9,585,534   3120 Restricted Grants-in-Aid   10,125   -     1,629,198   -     1,639,3390 Other State Revenue   160   4,299   -     -     4,44   4000 Revenue from Federal Sources:   4110 Unrestricted Grants-in-Aid Received   Directly from Federal Government (Note 12)   4,175,898   -   -     -     4,175,84   4120 Unrestricted Grants-in-Aid Received   The Comment of Pederal Government (Note 12)   4,175,898   -   -     -     3,77   4,140 Restricted Grants-in-Aid Received from Federal Government Through State   3,719   -     132,977   -   155,8   4,150,1499 Restricted Grants-in-Aid Received   -     -			_		_	
3110 Unrestricted Grants-in-Aid   9,885,534   -   -   0,829,198   -   1,639,138   1,0125   1,639,198   -   1,639,138   1,000 Chter State Revenue   160   4,299   -   0,299,198   -   0,439,339,000 Chter Regular Programs   -   0,444,44000 Revenue from Federal Sources:		220,931	-	-	-	220,731
3120 Restricted Grants-in-Aid   10,125   . 1,629,198   . 1,639,3   3900 Other State Revenue   160   4,299   .	-	0.505.524				0 595 534
3900 Other State Revenue			-	1 620 109	-	
A		•	4 200	1,029,198	-	
		160	4,299	-	-	4,459
Directly from Federal Government (Note 12)	•					
A   120 Unrestricted Grants-in-Aid Received from Federal Government Through State   3,719						4.488.000
Federal Government Through State         3,719         -         -         -         3,7           4140 Restricted Grants-in-Aid Received         Directly from Federal Government         22,904         -         132,977         -         155,8           4150-4199 Restricted Grants-in-Aid Received from Federal Government Through State         794,689         27,424         597,990         -         1,420,1           4900 Other Federal Revenue         468,926         180,667         -         -         649,5           Expenditures         17,990,279         1,401,552         2,959,535         117,727         22,469,0           Expenditures         1110 Blementary         4,656,423         150,242         -         -         4,806,6           1120 Middle/Junior High         2,738,105         92,642         -         -         2,830,7           1130 High School         2,738,105         149,961         -         -         -         2,830,7           1140 Preschool Services         610         -         -         -         6           1190 Other Regular Programs         2         -         -         -         6           1290 Other Special Education         -         1,230         1,942,427         -         1,943,6     <		4,175,898	-	•	-	4,175,898
Ald Restricted Grants-in-Aid Received   Directly from Federal Government   Directly from Federal Revenue   Directly f						
Directly from Federal Government   22,904   - 132,977   - 155,8		3,719	-	-	-	3,719
A   100   109   Restricted Grants-in-Aid Received from Federal Government Through State   794,689   27,424   597,990   1,420,14900   1,420,14900   1,420,14900   1,400,520   1,401,552   2,959,535   117,727   2649,500   1,401,552   2,959,535   117,727   2,2469,600   1,401,552   2,959,535   117,727   2,2469,600   2,2						
from Federal Government Through State         794,689         27,424         597,990         -         1,420,1           4900 Other Federal Revenue         468,926         180,667         -         -         649,5           Total Revenues         17,990,279         1,401,552         2,959,535         117,727         22,469,0           Expenditures         11100 Instruction - Regular Programs:         8         8         150,242         -         -         4,806,6           1120 Middle/Junior High         2,738,105         92,642         -         -         2,830,7           1130 High School         2,784,965         149,961         -         -         -         2,934,9           1140 Preschool Services         610         -         -         -         -         -         6           1190 Other Regular Programs         22         -         -         -         -         -         -         -         2,934,9           1140 Preschool Services         610         - </td <td>Directly from Federal Government</td> <td>22,904</td> <td>•</td> <td>132,977</td> <td>-</td> <td>155,881</td>	Directly from Federal Government	22,904	•	132,977	-	155,881
1900 Other Federal Revenue	4150-4199 Restricted Grants-in-Aid Received					
Total Revenues   17,990,279   1,401,552   2,959,535   117,727   22,469,0	from Federal Government Through State	794,689	27,424	597,990	-	1,420,103
Expenditures:   1100 Instruction - Regular Programs:	4900 Other Federal Revenue	468,926	180,667		-	649,593
11100 Instruction - Regular Programs:         1110 Elementary       4,656,423       150,242       -       4,806,6         1120 Middle/Junior High       2,738,105       92,642       -       -       2,830,7         1130 High School       2,784,965       149,961       -       -       -       6         1190 Other Regular Programs       22       -       -       -       6         1190 Other Regular Programs       22       -       -       -       6         1200 Instruction - Special Programs:       1210 Programs for Gifted and Talented       18,464       -       -       -       18,43         1220 Programs for Special Education       -       1,230       1,942,427       -       1,943,6         1250 Culturally Different       18,056       -       -       -       18,0         1270 Educationally Deprived       489,817       -       -       -       489,8         1290 Other Special Programs       32,036       -       -       -       32,0         2100 Support Services - Pupils:       -       -       -       30,000       -       58,5         2120 Guidance       504,719       -       64,374       -       569,0 <tr< td=""><td>Total Revenues</td><td>17,990,279</td><td>1,401,552</td><td>2,959,535</td><td>117,727</td><td>22,469,093</td></tr<>	Total Revenues	17,990,279	1,401,552	2,959,535	117,727	22,469,093
1110 Elementary       4,656,423       150,242       -       -       4,806,6         1120 Middle/Junior High       2,738,105       92,642       -       -       2,830,7         1130 High School       2,784,965       149,961       -       -       2,934,9         1140 Preschool Services       610       -       -       -       6         1190 Other Regular Programs       22       -       -       -       6         1200 Instruction - Special Programs:       2       -       -       -       -       18,46         1210 Programs for Gifted and Talented       18,464       -       -       -       1,943,66         1220 Programs for Special Education       -       1,230       1,942,427       -       1,943,66         1250 Culturally Different       18,056       -       -       -       18,06         1270 Educationally Deprived       489,817       -       -       -       489,8         1290 Other Special Programs       32,036       -       -       -       32,0         2100 Support Services - Pupils:       2       -       30,000       -       58,5         2120 Guidance       504,719       -       64,374       -	Expenditures:					
1120 Middle/Junior High       2,738,105       92,642       -       -       2,830,7         1130 High School       2,784,965       149,961       -       -       -       2,934,9         1140 Preschool Services       610       -       -       -       6         1190 Other Regular Programs       22       -       -       -       6         1200 Instruction - Special Programs:       22       -       -       -       -       6         1200 Programs for Gifted and Talented       18,464       -       -       -       18,4         1220 Programs for Special Education       -       1,230       1,942,427       -       1,943,6         1250 Culturally Different       18,056       -       -       -       -       18,0         1270 Educationally Deprived       489,817       -       -       -       489,8         1290 Other Special Programs       32,036       -       -       -       32,0         2100 Support Services - Pupils:       2       -       30,000       -       58,5         2120 Guidance       504,719       -       64,374       -       569,0         2130 Health       5,335       -       155,369 <t< td=""><td>1100 Instruction - Regular Programs:</td><td></td><td></td><td></td><td></td><td></td></t<>	1100 Instruction - Regular Programs:					
1130 High School       2,784,965       149,961       -       2,934,9         1140 Preschool Services       610       -       -       -       6         1190 Other Regular Programs       22       -       -       -       6         1200 Instruction - Special Programs:       -       -       -       18,4         1210 Programs for Gifted and Talented       18,464       -       -       -       18,4         1220 Programs for Special Education       -       1,230       1,942,427       -       1,943,6         1250 Culturally Different       18,056       -       -       -       18,0         1270 Educationally Deprived       489,817       -       -       -       489,8         1290 Other Special Programs       32,036       -       -       -       32,0         2100 Support Services - Pupils:       2       30,000       -       58,5         2120 Guidance and Social Work       28,563       -       30,000       -       58,5         2120 Guidance       504,719       -       64,374       -       569,0         2130 Health       5,335       -       155,369       -       160,7         2140 Psychological       -	1110 Elementary	4,656,423	150,242	-	-	4,806,665
1140 Preschool Services       610       -       -       -       6         1190 Other Regular Programs       22       -       -       -         1200 Instruction - Special Programs:       1210 Programs for Gifted and Talented       18,464       -       -       -       18,436         1220 Programs for Special Education       -       1,230       1,942,427       -       1,943,6         1250 Culturally Different       18,056       -       -       -       18,0         1270 Educationally Deprived       489,817       -       -       -       489,8         1290 Other Special Programs       32,036       -       -       -       32,0         2100 Support Services - Pupils:       2       -       30,000       -       58,5         2120 Guidance and Social Work       28,563       -       30,000       -       58,5         2120 Guidance       504,719       -       64,374       -       569,0         2130 Health       5,335       -       155,369       -       160,7         2140 Psychological       -       -       70,000       -       70,0         2150 Speech Pathology       -       -       282,010       - <td< td=""><td>1120 Middle/Junior High</td><td>2,738,105</td><td>92,642</td><td>-</td><td>-</td><td>2,830,747</td></td<>	1120 Middle/Junior High	2,738,105	92,642	-	-	2,830,747
1190 Other Regular Programs   22	1130 High School	2,784,965	149,961	-	•	2,934,926
1200 Instruction - Special Programs:         1210 Programs for Gifted and Talented       18,464       -       -       -       18,44         1220 Programs for Special Education       -       1,230       1,942,427       -       1,943,6         1250 Culturally Different       18,056       -       -       -       18,0         1270 Educationally Deprived       489,817       -       -       -       489,8         1290 Other Special Programs       32,036       -       -       -       32,0         2100 Support Services - Pupils:       2110 Attendance and Social Work       28,563       -       30,000       -       58,5         2120 Guidance       504,719       -       64,374       -       569,0         2130 Health       5,335       -       155,369       -       160,7         2140 Psychological       -       -       70,000       -       70,00         2150 Speech Pathology       -       -       282,010       -       282,010	1140 Preschool Services	610	-	-	-	610
1200 Instruction - Special Programs:         1210 Programs for Gifted and Talented       18,464       -       -       18,44         1220 Programs for Special Education       -       1,230       1,942,427       -       1,943,66         1250 Culturally Different       18,056       -       -       -       18,0         1270 Educationally Deprived       489,817       -       -       -       489,8         1290 Other Special Programs       32,036       -       -       -       32,0         2100 Support Services - Pupils:       2       -       -       30,000       -       58,5         2120 Guidance and Social Work       28,563       -       30,000       -       58,5         2120 Guidance       504,719       -       64,374       -       569,0         2130 Health       5,335       -       155,369       -       160,7         2140 Psychological       -       -       70,000       -       70,0         2150 Speech Pathology       -       -       282,010       -       282,0	1190 Other Regular Programs	22	-	-	-	22
1210 Programs for Gifted and Talented       18,464       -       -       18,4         1220 Programs for Special Education       -       1,230       1,942,427       -       1,943,6         1250 Culturally Different       18,056       -       -       -       18,0         1270 Educationally Deprived       489,817       -       -       -       489,8         1290 Other Special Programs       32,036       -       -       -       32,0         2100 Support Services - Pupils:       2       -       30,000       -       58,5         2120 Guidance and Social Work       28,563       -       30,000       -       58,5         2120 Guidance       504,719       -       64,374       -       569,0         2130 Health       5,335       -       155,369       -       160,7         2140 Psychological       -       -       70,000       -       70,00         2150 Speech Pathology       -       -       282,010       -       282,010						
1220 Programs for Special Education       -       1,230       1,942,427       -       1,943,66         1250 Culturally Different       18,056       -       -       -       -       18,0         1270 Educationally Deprived       489,817       -       -       -       489,8         1290 Other Special Programs       32,036       -       -       -       32,0         2100 Support Services - Pupils:       2110 Attendance and Social Work       28,563       -       30,000       -       58,5         2120 Guidance       504,719       -       64,374       -       569,0         2130 Health       5,335       -       155,369       -       160,7         2140 Psychological       -       -       70,000       -       70,0         2150 Speech Pathology       -       -       282,010       -       282,0		18,464	•	-	-	18,464
1250 Culturally Different       18,056       -       -       -       18,06         1270 Educationally Deprived       489,817       -       -       -       489,8         1290 Other Special Programs       32,036       -       -       -       32,0         2100 Support Services - Pupils:       2110 Attendance and Social Work       28,563       -       30,000       -       58,5         2120 Guidance       504,719       -       64,374       -       569,0         2130 Health       5,335       -       155,369       -       160,7         2140 Psychological       -       -       70,000       -       70,0         2150 Speech Pathology       -       -       282,010       -       282,0	<del>-</del>	, -	1,230	1,942,427	=	1,943,657
1270 Educationally Deprived       489,817       -       -       -       489,8         1290 Other Special Programs       32,036       -       -       -       32,0         2100 Support Services - Pupils:       2110 Attendance and Social Work       28,563       -       30,000       -       58,5         2120 Guidance       504,719       -       64,374       -       569,0         2130 Health       5,335       -       155,369       -       160,7         2140 Psychological       -       -       70,000       -       70,0         2150 Speech Pathology       -       -       282,010       -       282,0		18 056	, , , , , , , , , , , , , , , , , , ,	, ,	_	18,056
1290 Other Special Programs       32,036       -       -       -       32,0         2100 Support Services - Pupils:       2110 Attendance and Social Work       28,563       -       30,000       -       58,5         2120 Guidance       504,719       -       64,374       -       569,0         2130 Health       5,335       -       155,369       -       160,7         2140 Psychological       -       -       -       70,000       -       70,0         2150 Speech Pathology       -       -       282,010       -       282,0			_	_	-	489,817
2100 Support Services - Pupils:         2110 Attendance and Social Work       28,563       -       30,000       -       58,5         2120 Guidance       504,719       -       64,374       -       569,0         2130 Health       5,335       -       155,369       -       160,7         2140 Psychological       -       -       -       70,000       -       70,0         2150 Speech Pathology       -       -       282,010       -       282,0	• •		_	_	_	32,036
2110 Attendance and Social Work       28,563       -       30,000       -       58,5         2120 Guidance       504,719       -       64,374       -       569,0         2130 Health       5,335       -       155,369       -       160,7         2140 Psychological       -       -       -       70,000       -       70,0         2150 Speech Pathology       -       -       282,010       -       282,010	_	32,030	-	_	-	32,030
2120 Guidance       504,719       -       64,374       -       569,0         2130 Health       5,335       -       155,369       -       160,7         2140 Psychological       -       -       -       70,000       -       70,0         2150 Speech Pathology       -       -       282,010       -       282,0		20.5(2		20.000		E9 E63
2130 Health       5,335       -       155,369       -       160,7         2140 Psychological       -       -       -       70,000       -       70,0         2150 Speech Pathology       -       -       282,010       -       282,0			-		-	
2140 Psychological       -       -       70,000       -       70,0         2150 Speech Pathology       -       -       282,010       -       282,0			-		-	
2150 Speech Pathology 282,010 - 282,0		5,335	-		-	
		-	-		-	70,000
2170 Student Therapy Services 97,805 - 97,8		-	-		•	282,010
	2170 Student Therapy Services	-	-	97,805	-	97,805

DOUGLAS SCHOOL DISTRICT 51-1

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

FOR THE YEAR ENDED JUNE 30, 2013	General	Capital Outlay	Special Education		Total Governmental
	Fund	Fund	Fund	Pension	Funds
2200 Support Services - Instructional Staff:					22.1 = 12
2210 Improvement of Instruction	324,712	-	-	-	324,712
2220 Educational Media	948,139	123,831	-	-	1,071,970
2300 Support Services - General:					^
2310 Board of Education	95,151	-	-	-	95,151
2320 Executive Administration	284,892	-	-	-	284,892
2400 Support Services - School:					0.00
2410 Office of the Principal	859,556	-	-	-	859,556
2440 Title I Program Administration	10,883	-	-	-	10,883
2500 Support Services - Business:					
2520 Fiscal Services	286,085	-	-	-	286,085
2530 Facilities Acquisition and Construction	-	44,814	-	-	44,814
2540 Operation and Maintenance of Plant	1,941,749	-	-	. <del>-</del>	1,941,749
2550 Pupil Transportation	618,314	12,231	-	-	630,545
2570 Internal Services	64,051	-	-	-	64,051
2600 Support Services - Central:					
2630 Information	3,427	-	•	-	3,427
2640 Staff	86,457	-	-	-	86,457
2700 Support Services - Special Education:					
2710 Administrative Costs	-	-	243,156	-	243,156
2730 Transportation Costs	-	-	222,193	-	222,193
2750 Other Special Education Costs	-	-	81,527	-	81,527
3000 Community Services:					
3400 Public Library	4,172	981	-	-	5,153
3900 Other	4,300	_	-	-	4,300
4500 Early Retirement	219,508	-	178,794	-	398,302
6000 Co-curricular Activities:					
6100 Male Activities	85,530	-	-	-	85,530
6200 Female Activities	44,465	-	-	-	44,465
6900 Combined Activities	420,410	16,975	-	-	437,385
7500 Capital Outlay	348,666	1,072,441	-	-	1,421,107
Total Expenditures	17,927,582	1,665,348	3,367,655	-	22,960,585
Excess of Revenue Over (Under) Expenditures	62,697	(263,796)	(408,120)	117,727	(491,492)
Other Financing Sources (Uses):					
5110 Transfers In (Note 7)	-	-	350,000	-	350,000
5130 Sale of Capital Assets and Surplus Property	877	29,673	-	-	30,550
8110 Transfers Out (Notes 7 and 12)	(425,094)	-	-	-	(425,094)
Total Other Financing Sources (Uses)	(424,217)	29,673	350,000	-	(44,544)
Net Change in Fund Balances	(361,520)	(234,123)	(58,120)	117,727	(536,036)
Fund Balance (Deficit) June 30, 2012	16,788,192	616,504	(235,063)	170,396	17,340,029
Fund Balance (Deficit) June 30, 2013	\$ 16,426,672	\$ 382,381	\$ (293,183)	\$ 288,123	\$ 16,803,993

# RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR YEAR ENDED JUNE 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ (536,036)
Amounts reported for governmental activities in the Statement of Activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements, but increase assets on the Statement of Net Position	1,421,107
Capital assets contributed to the District, which are included in the Statement of Activities.	500,000
In the Statement of Activities, losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	(23,025)
This amount represents the current year depreciation expense reported in the Statement of Activities, which is not reported on the fund financial statements because it does not require the use of current financial resources.	(2,239,236)
The fund financial statement property tax accruals differ from the government wide statement property tax accruals as the fund financial statements require the amounts to be "available."	23,910
Governmental funds recognize expenditures for amounts of compensated absences and voluntary separation actually paid to employees with current financial resources. Amounts of compensated absences earned by employees are not recognized in the funds. In the Statement of Activities, expenses for these benefits are recognized when	
employees earn leave or elect to retire early.	26,358
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net expenses and transfers of the internal service funds is reported with governmental activities.	(36,996)
Government-wide financial statements require other post employment benefits to be recorded on the accrual basis, whereas the fund financial statements required the modified accrual basis.	 (24,760)

(888,678)

The accompanying notes are an integral part of this statement.

Change in Net Position of Governmental Activities

**DOUGLAS SCHOOL DISTRICT 51-1** 

## PROPRIETARY FUNDS BALANCE SHEET JUNE 30, 2013

JUNE 30, 2013	Fo	ood Service Fund	Tuition Services Fund	P	Total roprietary Funds		Internal vice Funds
ASSETS:							
Current Assets:							
101 Cash and Cash Equivalents (Note 2)	\$	430,829	\$ -	\$	430,829	\$	196,830
120 Accounts Receivable		-	-		•		399
130 Due from Other Funds		-	-		-		145
170 Inventory of Supplies (Note 3)		16,255	-		16,255		-
172 Inventory of Donated Food (Note 3)		7,334	-		7,334		-
192 Prepaid Expense		1,089	-		1,089		-
Total Current Assets		455,507	-		455,507		197,374
Noncurrent Assets (Note 5):							
204 Equipment		200,107	_		200,107		-
Less: Accumulated Depreciation		(121,948)	•		(121,948)		_
Total Noncurrent Assets		78,159	 -		78,159		-
						_	
TOTAL ASSETS	\$	533,666	\$ 	\$	533,666	\$	197,374
LIABILITIES:							
Current Liabilities:							
404 Contracts Payable	\$	24,655	\$ 25,361	\$	50,016	\$	-
409 Incurred But Not Reported Claims (Note 10)			-		-		81,000
409 Due to Other Funds		145	8,586		8,731		-
450 Payroll Deductions and Withholdings and							
Employer Matching Payable		8,265	6,739		15,004		-
474 Deferred Revenue		19,783	3,340		23,123		-
Total Current Liabilities		52,848	 44,026		96,874		81,000
NEW DOCUMENT							
NET POSITION:		70 150			70 150		
706 Investment in Capital Assets		78,159	(44.026)		78,159 358,633		116,374
708 Unrestricted Net Position (Note 10)		402,659 480,818	(44,026) (44,026)		436,792		116,374
Total Net Position		480,818	 (44,020)		430,792		110,5/4
TOTAL LIABILITIES AND NET POSITION	\$	533,666	\$ -	\$	533,666	\$	197,374

PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2013

,	Fo	od Service Fund		Tuition Services Fund	Total Proprietary Funds		Internal rvice Funds
Operating Revenue:	<del></del>			·	·		
Sales:							
1610 To Pupils	\$	243,356	\$	-	\$ 243,356	\$	-
1620 To Adults		9,127		-	9,127		-
1630 A la Carte		159,002		-	159,002		-
1650 Child Care		27,761		200,864	228,625		-
1690 Miscellaneous		50,757		-	50,757		-
1970 Self-Insurance Premiums		, <u>-</u>		_	, -		2,018,253
Total Operating Revenue		490,003		200,864	690,867		2,018,253
Operating Expenses:							
Business Expenses							
100 Salaries		322,792		237,965	560,757		-
200 Employee Benefits		130,983		53,154	184,137		-
300 Purchased Services		11,297		´ <b>-</b>	11,297		-
400 Supplies		26,147		3,797	29,944		_
461 Cost of Sales		475,042		27,545	502,587		-
462 Cost of Sales - Donated Food		57,904			57,904		_
910 Depreciation - Local Funds (Note 5)		8,938		_	8,938		_
4620 Self Insurance Costs (Note 10)		-		_	-		1,236,583
4900 Other Premiums		_		_	_		818,666
Total Operating Expenses	<del></del>	1,033,103		322,461	1,355,564		2,055,249
Total Operating Expenses		·					
Operating Loss		(543,100)	_,	(121,597)	(664,697)		(36,996)
Nonoperating Revenue:							
Local Sources:					۰.,		
1990 Other		25		-	25		-
State Sources:							
3810 Cash Reimbursements		7,798		-	7,798		-
Federal Sources:							
4810 Cash Reimbursements		501,789		2,477	504,266		-
4820 Donated Food		58,134			58,134	,	<u>-</u>
Total Nonoperating Revenue	<del></del>	567,746		2,477	570,223		-
Income (Loss) Before Transfers		24,646		(119,120)	(94,474)		(36,996)
8110 Transfers In (Note 7)		-		75,094	75,094		
Change in Net Postion		24,646		(44,026)	(19,380)		(36,996)
Net Position Beginning		456,172		-	456,172		153,370
Net Position Ending	\$	480,818	-\$	(44,026)	\$ 436,792	\$	116,374

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2013

FOR THE TEAR ENDED SOILE 30, 2013	Fo	ood Service Fund		Tuition Services Fund	P	Total roprietary Funds	Se	Internal rvice Funds
Cash Flows from Operating Activities:								
Receipts from Customers	\$	497,060	\$	204,204	\$	701,264	\$	(399)
Receipts from Interfund Services Provided		-		-		-		2,018,253
Payments to Suppliers		(515,748)		(31,342)		(547,090)		-
Payments to Employees		(456,283)		(259,019)		(715,302)		-
Claims Paid		-		-		-		(1,305,583)
Other Disbursements				-		- (= (1 ( 2 0 )		(820,398)
Net Cash Used in Operating Activities		(474,971)		(86,157)		(561,128)		(108,127)
Cash Flows from Noncapital Financing Activities:								
Operating Subsidies		509,612		2,477		512,089		-
Transfers In		-		75,094		75,094		-
Receipts from (Payments to) Other Funds		(13,606)		8,586		(5,020)		2,319
Net Cash Provided by Noncapital Financing Activities		496,006		86,157		582,163		2,319
Cash Flows Used in Capital and Related Financing Activi	ties							
Purchase of Equipment		(63,694)		-		(63,694)		
Net Decrease in Cash and Cash Equivalents		(42,659)		-		(42,659)		(105,808)
Cash and Cash Equivalents at Beginning of Year		473,488		-		473,488		302,638
Cash and Cash Equivalents at End of Year	\$	430,829	\$	-	\$	430,829	\$	196,830
D. W. C. Co.								
Reconciliation of Operating Loss to Net Cash								
Used in Operating Activities:	\$	(543,100)	\$	(121,597)	\$	(664,697)	\$	(36,996)
Operating Loss	Φ	(343,100)	Φ	(121,377)	Ψ	(004,077)	Ψ	(30,770)
Adjustments to Reconcile Operating Loss to								
Net Cash Used In Operating Activities:		8,938		_		8,938		_
Depreciation Expense Value of Donated Commodities Used		57,904		_		57,904		_
		37,704				57,501		
Change in Assets and Liabilities:		146		_		146		(399)
Accounts Receivable		(2,588)		_		(2,588)		-
Inventories Prepaid Expense		(674)		_		(674)		-
Accounts Payable		(071)		-		-		(1,732)
Incurred But Not Reported Claims		_		_		-		(69,000)
		(3,539)		25,361		21,822		-, ·
Contracts Payable Accued Payroll Deductions		1,031		6,739		7,770		_
Deferred Revenue		6,911		3,340		10,251		_
Net Cash Used in Operating Activities	\$	(474,971)	\$	(86,157)	\$	(561,128)	\$	(108,127)
				· · · · · · · · · · · · · · · · · · ·				
Noncash Investing, Capital and Financing Activities: Value of Commodities Received	\$	58,134	\$	-	\$	-	\$	-

## STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2013

	 Agency Funds
ASSETS: Cash and Cash Equivalents (Note 2)	\$ 126,717
LIABILITIES: Amounts Held for Others	\$ 126,717

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013

## (1) Summary of Significant Accounting Policies

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments.

## a. Financial Reporting Entity

The reporting entity of Douglas School District No. 51-1 (the District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The Funds included in this report are controlled by or dependent upon the Douglas School Board of Education.

The District participates in a cooperative service unit with several other school districts. See Note 9 entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the District.

### b. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. Eliminations have been made to prevent the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable, invested in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and Impact Aid, are presented as general revenues.

#### Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenue, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

## (1) Summary of Significant Accounting Policies (Continued)

#### b. Basis of Presentation (Continued)

Fund Financial Statements (Continued):

A fund is considered major if it is the primary operating fund of the District or it meets the following criteria:

- 1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- 2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined, or
- 3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the District financial reporting entity are described below within their respective fund types:

#### Governmental Funds:

General Fund – A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all of the general operational costs of the District, excluding the Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

Special Revenue Fund Types – Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds of the District include the following:

Capital Outlay Fund – A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of, or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by property taxes. This is a major fund.

Special Education Fund – A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the District. This fund is financed by grants and property taxes. This is a major fund.

Pension Fund – A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is a major fund.

## Proprietary Funds:

Enterprise Fund Types – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The only Enterprise Fund is the Food Service Fund.

Food Service Fund - A fund used to record the financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

## (1) Summary of Significant Accounting Policies (Continued)

#### b. Basis of Presentation (Concluded)

## Proprietary Funds (Continued):

Tuition Services Fund – A fund used to record the financial transactions related to daycare, driver's education, preschool, and after school program service operations. This fund is financed through user charges. This is a major fund.

Internal Service Fund Types – Internal Service Funds are used to report activities that provide goods or services to other funds, departments, or agencies of the District, or to other governments, on a cost-reimbursement basis. The Health Insurance, Dental Insurance, and Unemployment Insurance Funds are internal service funds maintained by the District. Internal service funds are never considered to be major funds.

#### Fiduciary Funds:

Agency Funds — Agency Funds are used to account for resources held by the District in a purely custodial capacity (assets equal liabilities). Since Agency Funds are custodial in nature, they do not involve the measurement of results of operations. The District maintains a variety of Agency Funds. Agency Funds are established to account for the monies earned by student organizations for various expenditures. The other Agency Funds account for the monies contributed by employees for health and dependent care expenses. A fiduciary fund is never considered to be a major fund.

#### c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

#### Measurement Focus:

#### Government-wide Financial Statements:

In the Government-wide Statement of Net Position and Statement of Activities, both governmental and businesstype activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

#### Fund Financial Statements:

In the fund financial statements, the current financial resources measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the economic resources measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

#### Basis of Accounting:

## Government-wide Financial Statements:

In the Government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

### (1) Summary of Significant Accounting Policies (Continued)

#### c. Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting (Continued):

### Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. Available means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the District, the length of that cycle is 60 days. Reported deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. For the District, these consist primarily of property taxes.

Expenditures generally are recognized when the related fund liability is incurred.

All proprietary funds and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Deferred revenues reported in the proprietary fund consist of advance food service sales.

#### d. Interfund Eliminations and Reclassifications

#### Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

- 1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.
- 2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses," including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged in this manner, expense reductions occur in the General Fund, so that expenses are reported only in the function to which they relate.

## e. Capital Assets

Capital assets include land, buildings, machinery and equipment, improvements, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

## Government-wide Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

### (1) Summary of Significant Accounting Policies (Continued)

### e. Capital Assets (Continued)

## Government-wide Financial Statements (Continued):

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) for land, buildings, improvements, and equipment are all set at \$5,000. The depreciation method used for buildings, improvements, and equipment is straight-line. Land is an inexhaustible capital asset and is not depreciated.

The estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

Buildings	10-60 years
Improvements Other than Buildings	10-20 years
Equipment	10-20 years

### Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

### f. Long-Term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of vacation payable, voluntary separation (early retirement benefits) payable, sick leave/severance payable and other post employment benefit payable.

Annual vacation is earned by the employees at the rate of 10 to 20 days per year based on an employee's number of years of service. Upon termination, employees are entitled to receive compensation for their accrued vacation at their current rate of pay. The amount of this compensation shall not exceed vacation time earned during a two-year period.

Certified employees may participate in a voluntary separation program. Upon meeting certain criteria, cash benefits equal to their current salary times five percent times their years of service (maximum of 20 years) may be paid in one payment or multiple payments to the eligible employees upon termination. The District's total payments for voluntary separation may not exceed two percent of the budget for certified instructional salaries in any given year. A long-term liability is recognized for the total benefits calculated to be payable in future periods. As of June 30, 2013, there are five employees that have applied and been approved for separation. No discount rate was used to estimate the effect of making the cash payments over a two year period, as it would be insignificant.

Sick leave/severance pay is earned by the employees at the rate of 6 to 15 days per year based on annual hours of work. Upon termination, administrators, directors, classified and certified employees attaining age 45 with at least ten years of service are entitled to receive compensation for their respective accrued sick leave balance at one-half of their accumulated balance at a rate equal to an average of the employee's daily rate of pay over the five-year period immediately preceding termination, in the form of a severance bonus.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

#### (1) Summary of Significant Accounting Policies (Continued)

### f. Long-Term Liabilities (Continued)

Funding for annual leave, voluntary separation, and sick leave is expended in the General Fund and the Special Education fund.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The payment of these long-term liabilities is reported as expenditures. The accounting for the proprietary fund is on the accrual basis, the same as in the government-wide statements.

#### g. Program Revenues

In the Government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

- 1. Charges for services These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
- 2. Program-specific operating grants and contributions These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
- 3. Program-specific capital grants and contributions These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

## h. Proprietary Funds Revenue and Expense Classifications

In the Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

## i. Cash and Cash Equivalents

The District pools its cash resources for depositing and investing purposes. The District has access to its cash resources on demand. Accordingly, all reported deposit and investment balances are considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

## j. Equity Classifications

## Government-wide Financial Statements:

Equity is classified as net position and is displayed in three components:

- 1. Investment in capital assets Consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- 2. Restricted net position Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- 3. Unrestricted net position All other net assets that do not meet the definition of "restricted" or "invested in capital assets."

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

### (1) Summary of Significant Accounting Policies (Concluded)

## j. Equity Classifications (Continued)

#### Fund Financial Statements:

Governmental fund equity is classified as fund balance and may distinguish between Non-spendable, Restricted, Committed, Assigned, or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for the Agency Funds, which have no fund equity) is reported as net assets held in trust for other purposes.

### k. Application of Net Position

It is the District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

#### 1. Fund Balance Classification Policies and Procedures

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the School District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

<u>Restricted</u> – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

<u>Committed</u> – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

<u>Assigned</u> – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board, Superintendent and Business Manager.

<u>Unassigned</u> – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. As of year-end, the District had no committed fund balances.

The Government does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is included in Note 1b on page 24.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

## (2) Deposits and Investments

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1, and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating, which may not be less than "AA," or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above; or in shares of an open-end, no load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of June 30, 2013, the District's cash and investments consisted only of checking, savings, SDFIT Money Market and certificates of deposit. All of these accounts are insured or collateralized in the District's name. State law limits eligible investments for the District. The District has no investment policy that would further limit its investment choices or limit maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from deposits and investments to the General Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

#### (3) Inventory

Inventory of the business-type activities is valued at the lower of cost or market value. The cost valuation method is first-in, first-out. Donated commodities are valued at estimated market value based on the USDA price list at the date of receipt.

In the government-wide financial statements and the enterprise fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

#### (3) Inventory (Continued)

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is reported as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a Nonspendable Fund Balance, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

### (4) Property Taxes

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The counties bill and collect the District's taxes and remit them to the District.

District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable, which is not intended to be used to finance the current year's appropriations and therefore is not susceptible to accrual, has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the availability period.

### (5) Changes in Capital Assets

A summary of changes in capital assets in governmental activities for the year ended June 30, 2013, is as follows:

	Balance June 30, 2012	<u>Additi</u>	ons <u>R</u>	<u>Retirements</u>	Balance June 30, 2013	
Governmental Activities:						
Capital Assets, not Depreciated:	\$ 121,900	\$ 50	0.000 \$		\$ 621,900	
Land	\$ 121,900		-,	-	/-	
Construction Work in Progress	101.000		2,621		112,621	
	121,900	61	2,621		734,521	
Capital Assets, Depreciated:						
Buildings	36,855,256	8	5,501	-	36,940,757	
Improvements Other Than Buildings	3,396,928	6	0,655	-	3,457,583	
Equipment Local Funds	5,708,855		2,330	(76,759)	6,794,426	
Equipment Federal Funds	172,000	•	_	(172,000)	-	
24.5	46,133,039		8,486	(248,759)	47,192,766	
Less Accumulated Depreciation for:						
Buildings	17,895,876	1,14	5,183	_	19,041,059	
Improvements Other Than Buildings	1,969,158	*	30,231	_	2,149,389	
Equipment Local Funds	3,394,369		3,822	(53,734)	4,254,457	
Equipment Federal Funds	172,000		_	(172,000)	-,	
Equipment 1 caerar 1 unas	23,431,403		9,236	(225,734)	25,444,905	
	23,731,703	2,20		(223,131)	20,111,500	
Governmental Capital Assets, Net	\$ 22,823,536	\$ (31	8,129) \$	(23,025)	\$ 22,482,382	

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

## (5) Changes in Capital Assets (Continued)

Depreciation expense was charged to functions within governmental activities as follows:

Instruction	\$ 1,708,659
Support Services	504,564
Co-curricular Activities	26,013
Total Depreciation Expense	\$ 2,239,236

A summary of changes in capital assets in business-type activities for the year ended June 30, 2013, is as follows:

	Ju	Balance ne 30, 2012	Additions	<u>Reti</u>	rements	Balance ne 30, 2013
<b>Business-Type Activities:</b>						
Capital Assets, Depreciated:						
Equipment	\$	136,413	\$ 63,694	\$	_	\$ 200,107
Less Accumulated Depreciation for:						
Equipment		113,010	8,938			 121,948
Business-Type Capital Assets, Net	\$	23,403	\$ 54,756	\$	-	\$ 78,159

### (6) Long-Term Liabilities

A summary of the changes in long-term liabilities for the year ended June 30, 2013, is as follows:

	2012	Benefits <u>Earned</u>	Benefits <u>Paid</u>	<u>2013</u>	Due Within One Year
Vacation Liability Voluntary Separation Liability Severance Pay (Sick Leave) Liability Net OPEB Obligation (Note 11)	\$ 127,320 235,418 1,341,000 260,060	\$ 34,971 297,973 249,000 24,760	\$ (70,000) (398,302) (140,000)	\$ 92,291 135,089 1,450,000 284,820	\$ 70,000 113,715 140,000
General Long-Term Debt	\$ 1,963,798	\$ 606,704	\$ (608,302)	\$ 1,962,200	\$ 323,715

The remaining voluntary separation liability is payable as follows for the fiscal years ending June 30:

2014 \$113,715 2015 <u>21,374</u> \$135,089

These long-term liabilities will be paid from the General Fund and the Special Education Fund.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

## (6) Long-Term Liabilities (Continued)

During the year ended June 30, 2013, the District entered into a non-interest bearing debt agreement to finance the purchase and installation of new energy efficient lighting. The total maximum loan is \$1,361,440 with annual payments of \$136,144 starting on July 1, 2014 and ending July 1, 2023. No proceeds had been drawn on this note as of June 30, 2013. The loan will be serviced out of the Capital Outlay Fund.

#### (7) Interfund Transfers

Interfund transfers for the year ended June 30, 2013, were as follows:

	Τ	Transfer In			
General Fund	\$	-	\$	(425,094)	
Special Education Fund		350,000		-	
Tuition Services Fund		75,094			
Total	\$	425,094	\$	(425,094)	

Transfers are used to move unrestricted Impact Aid revenue (included in the General Fund) to other funds to finance various programs in accordance with budgetary authorizations. Transfers are also used to move interest earnings from the fund making the investment to the General Fund.

#### (8) Retirement Plan

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor's benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SD Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Covered employees (Class A Members) are required by state statute to contribute six percent of their salary to the plan. State statute also requires the employer to contribute an amount equal to the employee's contribution and to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The District's share of contributions to SDRS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$920,412, \$915,226 and \$924,989 respectively, equal to the required contribution each year.

## (9) Joint Ventures

The District participates in the Black Hills Special Services Cooperative, a cooperative service unit (the Co-op) formed for the purpose of providing special educational services to the member school districts. During the year ended June 30, 2013, the District paid \$303,510 for services provided by the Co-op. The Co-op's governing board (the Board) is composed of one representative from each member school district, who is a school board member. The Board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The District retains no equity in the net assets of the Co-op, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described below.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

#### (9) Joint Ventures (Continued)

The members of the Co-op and their relative percentage participation are as follows:

Spearfish School District No. 40-2	8.33%
Lead-Deadwood School District No. 40-1	8.33%
Oelrichs School District No. 23-3	8.33%
Meade School District No. 46-1	8.33%
Rapid City Area School District No. 51-4	8.33%
Belle Fourche School District No. 9-1	8.33%
Custer School District No. 16-1	8.33%
Douglas School District No. 51-1	8.33%
Edgemont School District No. 23-1	8.33%
Haakon School District No. 27-1	8.33%
Hill City School District No. 51-2	8.33%
Hot Springs School District No. 23-2	8.33%

Separate financial statements for this joint venture are available from Black Hills Special Services Cooperative, Sturgis, South Dakota. At June 30, 2013, this joint venture had total fund equity of \$4,309,444 (unaudited) and long-term debt of \$140,129 (unaudited).

#### (10) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2013, the District managed its risks as follows:

#### Employee Health Insurance:

The District has self-insurance for health insurance through a third-party. The health insurance plan is accounted for in an Internal Service Fund of the District. As part of the health care coverage, the District purchases re-insurance which pays in excess of \$50,000 per employee and claims in excess of \$2,264,662 in the aggregate. Accounts payable for claims incurred but not paid of \$81,000 is recorded in an Internal Service Fund in the Proprietary Fund Balance Sheet. The accrual is based on payments made subsequent to year end for claims incurred prior to June 30, 2013. The District had net position in the Health Insurance Fund in the amount of \$25,422 and net position in the Dental Insurance Fund in the amount of \$9,963 for the payment of health and dental insurance claims.

Changes in the aggregate liabilities of the self insurance funds during fiscal year 2012 were as follows:

	 Health Insurance
Benefit Claims Payable at June 30, 2011	\$ 52,000
Claims Incurred:	
Attributable to Insured Events of the Current Year	1,600,087
Claims Paid:	
Attributable to Insured Events of Current and Prior Years	 1,502,087
Incurred But Not Reported Claims at June 30, 2012	\$ 150,000

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

#### (10) Risk Management (Continued)

#### Employee Health Insurance (Continued):

Changes in the aggregate liabilities of the self insurance funds during fiscal year 2012 were as follows:

	 Health Insurance
Benefit Claims Payable at June 30, 2012	\$ 150,000
Claims Incurred:	
Attributable to Insured Events of the Current Year	1,236,583
Claims Paid:	1 205 502
Attributable to Insured Events of Current and Prior Years	 1,305,583
Incurred But Not Reported Claims at June 30, 2013	\$ 81,000

#### Property/Liability Insurance:

The District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members; to defend and protect the members against liability; to advise members on loss control guidelines and procedures; to provide them with risk management services, loss control and risk reduction information; and to obtain lower costs for that coverage. The District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the District. The District pays an annual premium under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage.

The agreement with the ASBSD-PLF provides that the above coverage will be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit. The District carries various deductibles for various types of coverage.

The District carries additional insurance to cover claims in excess of the upper limit up to \$5 million. Settled claims resulting from these risks have not exceeded liability coverage during the past three years.

#### **Unemployment Benefits:**

The District has elected to be self-insured and retain all risk for liabilities arising from claims for unemployment benefits.

The District has designated a part of its unrestricted net position as equity in the Unemployment Insurance - Internal Service Fund in the amount of \$80,989 for the payment of future unemployment benefits.

During the year ended June 30, 2013, no claims for unemployment benefits were filed.

#### Workmen's Compensation:

The District purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2013

#### (11) Other Post-Employment Benefits (OPEB) Plan

#### Plan Description

A continuation of benefits may be purchased upon retirement by employees who are participants in the District's group health plan (the Plan) and who meet the following two requirements: (1) have worked for the District at least 10 years and (2) have been participants in the District's Plan for the last five years when they retire at age 50 or older. Coverage ceases when the retiree attains the age of 65 or becomes eligible for Medicare, except for COBRA coverage if elected. Spouse/Dependent coverage is provided as long as the required contributions are paid. Dependents may continue coverage after the retiree's coverage terminates for a maximum of 18 months or until the dependent is eligible for Medicare, whichever is shorter. The retiree is responsible for 120 percent of the full active premium rates for either single, two-party or family coverage. SDCL 6-1-16 specifically allows any municipality, county or school district to provide health insurance for retiring employees and their dependents.

GAAP requires the actuarial amounts to be calculated using age adjusted premiums that approximate costs for retirees separately from those for active employees. The use of age adjusted premiums results in the inclusion of an implicit rate subsidy of the benefit costs to retirees by the District.

Currently, there are 369 active participants and 2 retirees each with a spouse who are participating in the Plan as of July 1, 2012, the most recent actuarial valuation date. Because the District does not use a trust fund to administer the financing of other postemployment benefits, no separate financial statements are required.

#### Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost, the percentage of annual OPEB costs contributed, and the net OPEB obligation for the year ended June 30, 2013, were as follows:

Annual Required Contribution	\$ 29,022
Interest on Net OPEB Obligation	11,703
Adjustment to Annual Required Contribution	(15,965)
Annual OPEB Cost	24,760
Contributions Made	 
Change in Net OPEB Obligation	 24,760
Net OPEB Obligation - Beginning of Year	 260,060
Net OPEB Obligation - End of (Note 6)	\$ 284,820

Percentage Contributed

0.00%

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED) JUNE 30, 2013

#### (11) Other Post-Employment Benefits (OPEB) Plan (Continued)

#### Funded Status

As of July 1, 2012, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$268,659. The annual payroll for active employees covered by the Plan in the actuarial valuation for the 2011-2012 fiscal year was \$14,906,255 for a ratio of the UAAL to covered payroll of 1.8 percent.

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the District's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

#### **Funding Policy**

The contribution requirements of the covered retirees are established and may be amended by the School Board. The District has retained the right to unilaterally modify its payments toward retiree health care benefits. There is no direct District subsidy for retiree health insurance coverage. The District funds the other post-employment benefits on a pay-as-you-go basis.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information.

#### Actuarial Methods and Assumptions

The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The projected unit credit actuarial cost method was used in the July 1, 2012 valuation. The actuarial assumptions included a 4.5 percent investment rate of return. The initial healthcare cost trend rate was 8 percent reduced by 1 percent each year to an ultimate rate of 5 percent. Both the rate of return and the healthcare cost trend rate include an assumed inflation rate of 3 percent. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

#### (12) Restricted Net Position

Purpose	Restricted By
Major Funds:	
Capital Outlay Purposes	Law
Special Education Purposes	Law
Pension Purposes	Law

The District receives a significant portion of their revenue from federal Impact Aid grants. Impact Aid activity is included in the General Fund for the year ended June 30, 2013, which includes Unrestricted Grants-in-Aid Received Directly from Federal Government of \$4,175,898, Earnings on Investments and Deposits of \$9,774, and Expenditures (Transfers Out) of \$4,441,615. As of June 30, 2013, the General Fund, fund balance resulting from Impact Aid activity totaled \$16,638,146, of which \$5,769,076 is assigned to next year's budget.

#### (13) Emerging Issues

The GASB issued Statement #65, *Items Previously Reports as Assets and Liabilities*, which is required to be implemented in fiscal year 2014. The implementation of this pronouncement will change the presentation of deferred revenue.



## $\begin{array}{c} \textbf{BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS} \\ \textbf{GENERAL FUND} \end{array}$

FOR THE YEAR ENDED JUNE 30, 2013

Process
1000 Revenue from Local Sources:
1110 Ad Valorem Taxes
1120 Prior Years' Ad Valorem Taxes
1140 Gross Receipts Taxes
190 Penalties and Interest on Taxes
1500 Earnings on Investments and Deposits   10,000   10,000   10,084   84   1700 Co-curricular Activities:
1700 Cocurricular Activities:
1700 Co-curricular Activities:   17,050   17,050   16,291   (759)   1740 Admissions   17,050   250   240   (10)   (10)   (1790 Other Pupil Activity Income   4,500   4,500   4,130   (361)   (1790 Other Pupil Activity Income   4,500   4,500   4,130   (361)   (1790 Other Pupil Activity Income   4,500   4,500   4,130   (361)   (1790 Other Pupil Activity Income   4,500   4,500   4,130   (361)   (1790 Other Revenue from Local Sources:   502   502   502   (1790 Other Pupil Activity Income   8,554   8,554   15,157   6,603   (1790 Other Pupil Activity Apportionment   175,000   175,000   175,000   220,951   45,951   (1790 Other Pupil Activity Apportionment   175,000   175,000   175,000   220,951   45,951   (1790 Other State Sources:   1100 Unrestricted Grants-in-Aid   9,810,000   9,810,000   9,885,534   (224,466)   (1790 Other State Revenue   1790 Other Pederal Sources:   160
1740 Rentals
1790 Other Pupil Activity Income   4,500   4,500   4,139   (361)   1990 Other Revenue from Local Sources:
1900 Other Revenue from Local Sources:   1910 Rentals
1900 Other Revenue from Local Sources:   1910 Rentals
1910 Rentals
1990 Other
2110 County Apportionment       175,000       175,000       220,951       45,951         3000 Revenue from State Sources:       3110 Unrestricted Grants-in-Aid       9,810,000       9,810,000       9,585,534       (224,466)         3120 Restricted Grants-in-Aid       -       -       -       10,125       10,125         3900 Other State Revenue       -       -       -       160       160         4000 Revenue from Federal Sources:       -       -       160       160         4000 Revenue from Federal Governeent       4,823,980       4,823,980       4,175,898       (648,082)         4120 Unrestricted Grants-in-Aid Received       2,900       2,900       3,719       819         4140 Restricted Grants-in-Aid Received from       28,181       28,181       22,904       (5,277)         4150-4199 Restricted Gránts-in-Aid Received from Federal Government Through State       822,062       822,062       794,689       (27,373)         4900 Other Federal Revenue       460,266       460,266       468,226       8,660         Total Revenues       18,504,643       18,504,643       17,900,279       (514,364)         Expenditures:         1100 Instruction - Regular Programs:       2,734,046       2,740,221       2,738,105       2,116
3000 Revenue from State Sources:       3110 Unrestricted Grants-in-Aid       9,810,000       9,810,000       9,585,534       (224,466)         3120 Restricted Grants-in-Aid       -       -       -       10,125       10,125         3900 Other State Revenue       -       -       -       160       160         4000 Revenue from Federal Sources:       -       -       160       160         4100 Unrestricted Grants-in-Aid Received       -
3000 Revenue from State Sources:       3110 Unrestricted Grants-in-Aid       9,810,000       9,810,000       9,585,534       (224,466)         3120 Restricted Grants-in-Aid       -       -       -       10,125       10,125         3900 Other State Revenue       -       -       -       160       160         4000 Revenue from Federal Sources:       -       -       -       160       160         4000 Revenue from Federal Sources:       -       -       -       -       -       160       160         4000 Revenue from Federal Sources:       -       -       -       -       -       -       160       160       160         4000 Revenue from Federal Government       4,823,980       4,823,980       4,175,898       (648,082)         4120 Unrestricted Grants-in-Aid Received from       -
3110 Unrestricted Grants-in-Aid   9,810,000   9,810,000   9,585,534   (224,466)   3120 Restricted Grants-in-Aid     10,125   10,125   3900 Other State Revenue     160
3900 Other State Revenue 160 160 4000 Revenue from Federal Sources:  4110 Unrestricted Grants-in-Aid Received Directly from Federal Government
3900 Other State Revenue   -
Al 10 Unrestricted Grants-in-Aid Received   Directly from Federal Government   A,823,980   A,823,980   A,175,898   (648,082)
Al 10 Unrestricted Grants-in-Aid Received   Directly from Federal Government   A,823,980   A,823,980   A,175,898   (648,082)
4120 Unrestricted Grants-in-Aid Received from Federal Government Through State 2,900 2,900 3,719 819 4140 Restricted Grants-in-Aid Received Directly from Federal Government 28,181 28,181 22,904 (5,277) 4150-4199 Restricted Grants-in-Aid Received from Federal Government Through State 822,062 822,062 794,689 (27,373) 4900 Other Federal Revenue 460,266 460,266 460,266 468,926 8,660  Total Revenues 11,00 Instruction - Regular Programs: 1110 Elementary 5,213,776 5,213,777 5,005,089 208,688 1120 Middle/Junior High 2,734,464 2,740,221 2,738,105 2,116
Al 20 Unrestricted Grants-in-Aid Received from Federal Government Through State   2,900   2,900   3,719   819
Federal Government Through State         2,900         2,900         3,719         819           4140 Restricted Grants-in-Aid Received
Directly from Federal Government   28,181   28,181   22,904   (5,277)
## A150-4199 Restricted Grants-in-Aid Received from Federal Government Through State ## 822,062 ## 822,062 ## 794,689 (27,373) ## 4900 Other Federal Revenue ## 460,266 ## 460,266 ## 468,926 ## 8,660    Total Revenues ## 18,504,643 ## 18,504,643 ## 17,990,279 (514,364)    Expenditures:
## 4150-4199 Restricted Grants-in-Aid Received from Federal Government Through State ## 822,062 ## 822,062 ## 794,689 (27,373) ## 4900 Other Federal Revenue ## 460,266 ## 460,266 ## 468,926 ## 8,660 ## 704,643 ## 18,504,643 ## 17,990,279 (514,364) ## Expenditures:  ## 1100 Instruction - Regular Programs:  ## 1110 Elementary ## 5,213,776 ## 5,213,777 ## 5,005,089 ## 208,688 ## 1120 Middle/Junior High ## 2,734,464 ## 2,740,221 ## 2,738,105 ## 2,116
4900 Other Federal Revenue         460,266         460,266         468,926         8,660           Total Revenues         18,504,643         18,504,643         17,990,279         (514,364)           Expenditures:         1100 Instruction - Regular Programs:           1110 Elementary         5,213,776         5,213,777         5,005,089         208,688           1120 Middle/Junior High         2,734,464         2,740,221         2,738,105         2,116
Total Revenues         18,504,643         18,504,643         17,990,279         (514,364)           Expenditures:         1100 Instruction - Regular Programs:           1110 Elementary         5,213,776         5,213,777         5,005,089         208,688           1120 Middle/Junior High         2,734,464         2,740,221         2,738,105         2,116
Expenditures:  1100 Instruction - Regular Programs:  1110 Elementary 5,213,776 5,213,777 5,005,089 208,688  1120 Middle/Junior High 2,734,464 2,740,221 2,738,105 2,116
1100 Instruction - Regular Programs:         1110 Elementary       5,213,776       5,213,777       5,005,089       208,688         1120 Middle/Junior High       2,734,464       2,740,221       2,738,105       2,116
1100 Instruction - Regular Programs:         1110 Elementary       5,213,776       5,213,777       5,005,089       208,688         1120 Middle/Junior High       2,734,464       2,740,221       2,738,105       2,116
1110 Elementary       5,213,776       5,213,777       5,005,089       208,688         1120 Middle/Junior High       2,734,464       2,740,221       2,738,105       2,116
1120 Middle/Junior High 2,734,464 2,740,221 2,738,105 2,116
1120 Windurestantor Figure 2010 CCC
0.007.701 0.007.701 0.704.075 121.556
1130 High School 2,906,521 2,906,521 2,784,965 121,556
1140 Preschool Services 610 (610)
1190 Other Regular Programs 22 (22)
1200 Instruction - Special Programs:
1210 Gifted and Talented 21,533 21,533 18,464 3,069
1250 Culturally Different 21,741 21,741 18,056 3,685
1270 Educationally Deprived 454,905 454,905 489,817 (34,912)
1290 Other Special Programs 32,840 32,840 32,036 804

DOUGLAS SCHOOL DISTRICT 51-1

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

Origin           2100 Support Services - Pupils:           2110 Attendance and Social Work         3           2120 Guidance         52           2130 Health         2200 Support Services - Instructional Staff:           2210 Improvement of Instruction         35           2220 Educational Media         97           2300 Support Services - General:         2310 Board of Education           2310 Board of Education         11           2320 Executive Administration         29           2400 Support Services - School:         2410 Office of the Principal           2440 Title I Program Administration         2           2500 Support Services - Business:         2           2520 Fiscal Services         26           2540 Operation and Maintenance of Plant         2,07           2550 Pupil Transportation         64           2570 Internal Services - Central:         2           2600 Support Services - Central:         2           2630 Information         1           2640 Staff         8           2660 Data Processing         1	Budgeted Amounts           nal         Final           0,000         30,000           5,677         525,67'           5,850         5,850           8,200         358,200'           5,397         975,395'	504,719 50 5,335 00 324,712	Variance 1,437 20,958 515
2110 Attendance and Social Work       3         2120 Guidance       52         2130 Health       2200 Support Services - Instructional Staff:         2210 Improvement of Instruction       35         2220 Educational Media       97         2300 Support Services - General:       310 Board of Education         2310 Board of Education       11         2320 Executive Administration       29         2400 Support Services - School:       88         2410 Office of the Principal       88         2440 Title I Program Administration       2         2500 Support Services - Business:       2         2520 Fiscal Services       26         2540 Operation and Maintenance of Plant       2,07         2550 Pupil Transportation       64         2570 Internal Services       7         2600 Support Services - Central:       2         2630 Information       1         2640 Staff       8         2660 Data Processing       1	5,677     525,67'       5,850     5,850       8,200     358,200	504,719 50 5,335 00 324,712	20,958
2120 Guidance       52         2130 Health       2200 Support Services - Instructional Staff:         2210 Improvement of Instruction       35         2220 Educational Media       97         2300 Support Services - General:       310 Board of Education         2310 Board of Education       11         2320 Executive Administration       29         2400 Support Services - School:       88         2410 Office of the Principal       88         2440 Title I Program Administration       2         2500 Support Services - Business:       2         2520 Fiscal Services       26         2540 Operation and Maintenance of Plant       2,07         2550 Pupil Transportation       64         2570 Internal Services       7         2600 Support Services - Central:       2         2630 Information       1         2640 Staff       8         2650 Data Processing       1	5,677     525,67'       5,850     5,850       8,200     358,200	504,719 50 5,335 00 324,712	20,958
2130 Health         2200 Support Services - Instructional Staff:         2210 Improvement of Instruction       35         2220 Educational Media       97         2300 Support Services - General:       310 Board of Education         2310 Board of Education       11         2320 Executive Administration       29         2400 Support Services - School:       88         2410 Office of the Principal       88         2440 Title I Program Administration       2         2500 Support Services - Business:       2         2520 Fiscal Services       26         2540 Operation and Maintenance of Plant       2,07         2550 Pupil Transportation       64         2570 Internal Services       7         2600 Support Services - Central:       2         2630 Information       1         2640 Staff       8         2660 Data Processing       1	5,850 5,850 8,200 358,200	50 5,335 00 324,712	
2200 Support Services - Instructional Staff:         2210 Improvement of Instruction       35         2220 Educational Media       97         2300 Support Services - General:       11         2310 Board of Education       11         2320 Executive Administration       29         2400 Support Services - School:       88         2410 Office of the Principal       88         2440 Title I Program Administration       2         2500 Support Services - Business:       26         2520 Fiscal Services       26         2540 Operation and Maintenance of Plant       2,07         2550 Pupil Transportation       64         2570 Internal Services       7         2600 Support Services - Central:       2         2630 Information       1         2640 Staff       8         2660 Data Processing       1	8,200 358,200	324,712	515
2210 Improvement of Instruction       35         2220 Educational Media       97         2300 Support Services - General:       2310 Board of Education         2310 Executive Administration       29         2400 Support Services - School:       2410 Office of the Principal         2440 Title I Program Administration       2         2500 Support Services - Business:       26         2520 Fiscal Services       26         2540 Operation and Maintenance of Plant       2,07         2550 Pupil Transportation       64         2570 Internal Services       7         2600 Support Services - Central:       2         2630 Information       1         2640 Staff       8         2650 Data Processing       1	,	•	
2220 Educational Media       97         2300 Support Services - General:       11         2310 Board of Education       12         2320 Executive Administration       29         2400 Support Services - School:       88         2410 Office of the Principal       88         2440 Title I Program Administration       2         2500 Support Services - Business:       26         2520 Fiscal Services       26         2540 Operation and Maintenance of Plant       2,07         2550 Pupil Transportation       64         2570 Internal Services       7         2600 Support Services - Central:       2         2630 Information       1         2640 Staff       8         2660 Data Processing       1	,	•	
2300 Support Services - General:         2310 Board of Education       11         2320 Executive Administration       29         2400 Support Services - School:       88         2410 Office of the Principal       88         2440 Title I Program Administration       2         2500 Support Services - Business:       26         2520 Fiscal Services       26         2540 Operation and Maintenance of Plant       2,07         2550 Pupil Transportation       64         2570 Internal Services       7         2600 Support Services - Central:       2         2630 Information       1         2640 Staff       8         2660 Data Processing       1	5,397 975,39.		33,488
2310 Board of Education       11         2320 Executive Administration       29         2400 Support Services - School:       2410 Office of the Principal       88         2440 Title I Program Administration       2         2500 Support Services - Business:       26         2520 Fiscal Services       26         2540 Operation and Maintenance of Plant       2,07         2550 Pupil Transportation       64         2570 Internal Services       7         2600 Support Services - Central:       2630 Information         2640 Staff       8         2660 Data Processing       1		948,139	27,256
2320 Executive Administration       29         2400 Support Services - School:       88         2410 Office of the Principal       88         2440 Title I Program Administration       2         2500 Support Services - Business:       26         2520 Fiscal Services       26         2540 Operation and Maintenance of Plant       2,07         2550 Pupil Transportation       64         2570 Internal Services       7         2600 Support Services - Central:       2         2630 Information       1         2640 Staff       8         2660 Data Processing       1			
2400 Support Services - School:         2410 Office of the Principal       88         2440 Title I Program Administration       2         2500 Support Services - Business:       2         2520 Fiscal Services       26         2540 Operation and Maintenance of Plant       2,07         2550 Pupil Transportation       64         2570 Internal Services       7         2600 Support Services - Central:       2         2630 Information       1         2640 Staff       8         2660 Data Processing       1	6,291 116,292		21,141
2410 Office of the Principal       88         2440 Title I Program Administration       2         2500 Support Services - Business:       2         2520 Fiscal Services       26         2540 Operation and Maintenance of Plant       2,07         2550 Pupil Transportation       64         2570 Internal Services       7         2600 Support Services - Central:       2         2630 Information       1         2640 Staff       8         2660 Data Processing       1	7,039 296,040	10 284,892	11,148
2410 Office of the Principal       88         2440 Title I Program Administration       2         2500 Support Services - Business:       2         2520 Fiscal Services       26         2540 Operation and Maintenance of Plant       2,07         2550 Pupil Transportation       64         2570 Internal Services       7         2600 Support Services - Central:       2         2630 Information       1         2640 Staff       8         2660 Data Processing       1			
2500 Support Services - Business:       26         2520 Fiscal Services       26         2540 Operation and Maintenance of Plant       2,07         2550 Pupil Transportation       64         2570 Internal Services       7         2600 Support Services - Central:       2630 Information         2640 Staff       8         2660 Data Processing       1	8,168 889,16	859,556	29,611
2520 Fiscal Services       26         2540 Operation and Maintenance of Plant       2,07         2550 Pupil Transportation       64         2570 Internal Services       7         2600 Support Services - Central:       2630 Information         2640 Staff       8         2660 Data Processing       1	1,065 21,065	55 10,883	10,182
2520 Fiscal Services       26         2540 Operation and Maintenance of Plant       2,07         2550 Pupil Transportation       64         2570 Internal Services       7         2600 Support Services - Central:       2630 Information         2640 Staff       8         2660 Data Processing       1			
2550 Pupil Transportation       64         2570 Internal Services       7         2600 Support Services - Central:       2630 Information         2640 Staff       8         2660 Data Processing       1	52,187 306,828	286,085	20,743
2550 Pupil Transportation       64         2570 Internal Services       7         2600 Support Services - Central:       2         2630 Information       1         2640 Staff       8         2660 Data Processing       1	4,406 2,077,490	1,941,749	135,747
2570 Internal Services       7         2600 Support Services - Central:       2630 Information         2640 Staff       8         2660 Data Processing       1	5,907 646,860	618,314	28,552
2600 Support Services - Central:         2630 Information       1         2640 Staff       8         2660 Data Processing       1	72,205 72,200	64,051	8,155
2630 Information I 2640 Staff E 2660 Data Processing I 2640 Staff			
2660 Data Processing	6,000 16,000	3,427	12,573
2660 Data Processing	33,036 87,359	59 86,457	902
_	5,000 15,000	- 00	15,000
3000 Community Services:			
3400 Public Library	5,254 5,254	54 4,172	1,082
3900 Other	4,300 4,300	00 4,300	-
4000 Nonprogrammed Charges:			
	73,829 219,50	219,508	-
6000 Cocurricular Activities:			
	101,596	98 85,530	16,068
	55,090 55,08	38 44,465	10,623
	4,996 515,00		94,596
	29,469 229,46		229,469
	56,742 18,961,20		1,033,620
Excess of Revenue Over (Under) Expenditures (3:	52,099) (456,55	59) 62,697	519,256
Other Financing Sources:			
5130 Sale of Surplus Property		- 877	877
	23,031) (823,03	(425,094)	397,937
	23,031) (823,03		398,814
	75,130) (1,279,59		918,070
	= , = - ,	, (===,,===,,	ŕ
Fund Balance Beginning 16,77			
Fund Balance Ending \$ 15,6	88,192 16,788,19	92 16,788,192	-

The accompanying supplementary notes are an integral part of this statement.

# BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS CAPITAL OUTLAY FUND FOR THE YEAR ENDED JUNE 30, 2013

	Budgete	d Amounts	Actual -	
	Original	Final	Budgetary Basis	Variance
Revenues:				
1000 Revenue from Local Sources:				
1110 Ad Valorem Taxes	\$ 1,110,500	\$ 1,110,500	\$ 1,149,667	\$ 39,167
1120 Prior Years' Ad Valorem Taxes	20,500	20,500	33,085	12,585
1190 Penalties and Interest on Taxes	4,000	4,000	6,410	2,410
3900 Other State Revenue	2,250	2,250	4,299	2,049
4000 Revenue from Federal Sources:				
4110 Unrestricted Grants-in-Aid Received				
Directly from Federal Government	100,000	100,000	•	(100,000)
4150-4199 Restricted Grants-in-Aid Received from	,			
Federal Government Through State	<del>-</del>	_	27,424	27,424
4900 Other Federal Revenue	115,000	115,000	180,667	65,667
Total Revenues	1,352,250	1,352,250	1,401,552	49,302
Total Revenues	1,332,230	1,552,250	1,401,002	13,502
Expenditures:				
1100 Instruction - Regular Programs:				
1110 Elementary	313,094	396,040	419,767	(23,727)
1120 Middle/Junior High	243,686	259,657	302,773	(43,116)
1130 High School	359,815	390,942	432,122	(41,180)
1200 Special Programs				
1220 Programs for Special Education	1,200	1,230	1,229	1
2200 Support Services - Instructional Staff:	,			
2220 Educational Media	231,259	231,259	223,292	7,967
2500 Support Services - Business:	,	,	,	
2520 Fiscal Services	6,000	6,000		6,000
2530 Facilities Acquisition and Construction	78,394	80,270	85,861	(5,591)
2540 Operation and Maintenance of Plant	22,034	22,034	21,863	171
2550 Pupil Transportation	111,100	144,359	144,359	•
2560 Food Services	64,000	64,000		64,000
	04,000	04,000		01,000
3000 Community Services:	800	1,600	981	619
3400 Public Library	600	1,000	701	017
6000 Co-curricular Activities:	20 110	20 110	33,101	5,017
6900 Combined Activities	38,118	38,118	1,665,348	(29,839)
Total Expenditures	1,469,500	1,635,509	1,005,546	(29,039)
Excess of Revenue Over (Under) Expenditures	(117,250)	(283,259)	(263,796)	19,463
Other Financing Sources (Uses):				
5110 Transfers In	117,250	117,250	-	(117,250)
5130 Sale of Surplus Property	· -	· <u>-</u>	29,673	29,673
Total Other Financing Sources (Uses)	117,250	117,250	29,673	(87,577)
Net Change in Fund Balances	-	(166,009)	(234,123)	(68,114)
Fund Balance Beginning	616,504	616,504	616,504	-
	¢ (1/ 50/	£ 450 405	\$ 382,381	\$ (68,114)
Fund Balance Ending	\$ 616,504	\$ 450,495	g 304,301	w (00,11 <b>4</b> )

The accompanying supplementary notes are an integral part of this statement.

DOUGLAS SCHOOL DISTRICT 51-1

#### BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS SPECIAL EDUCATION FUND FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual -	
		Final	Budgetary Basis	Variance
Revenues:				
1000 Revenue from Local Sources:				
1110 Ad Valorem Taxes	\$ 552,750	\$ 552,750	\$ 579,863	\$ 27,113
1120 Prior Years' Ad Valorem Taxes	10,000	10,000	16,345	6,345
1190 Penalties and Interest on Taxes	2,000	2,000	3,162	1,162
3000 Revenue from State Sources:				
3120 Restricted Grants-in-Aid	1,415,000	1,415,000	1,629,198	214,198
4000 Revenue from Federal Sources:				
4140 Restricted Grants-in-Aid Received				
Directly from Federal Government	135,000	135,000	132,977	(2,023)
4150-4199 Restricted Grants-in-Aid Received				
from Federal Government Through State	597,990	597,990	597,990	-
Total Revenues	2,712,740	2,712,740	2,959,535	246,795
Expenditures:				
1200 Instruction - Special Programs:	1.004.005	1.054.400	1.042.427	12,061
1220 Programs for Special Education	1,924,205	1,954,488	1,942,427	12,001
2100 Support Services - Pupils:	22.424	20.424	20.000	434
2110 Attendance and Social Work	30,434	30,434	30,000	
2120 Guidance	64,983	64,984	64,374	610
2130 Health	151,772	155,181	155,369	(188)
2140 Psychological	70,000	70,000	70,000	-
2150 Speech Pathology	296,080	296,080	282,010	14,070
2170 Student Therapy Services	102,580	102,580	97,805	4,775
2700 Support Services - Special Education				
2710 Administrative Costs	273,388	273,389	243,156	30,233
2730 Transportation Costs	197,181	219,782	222,193	(2,411)
2750 Other Special Education Costs	82,150	82,150	81,527	623
4500 Early Retirement	25,456	178,794	178,794	-
7000 Contingencies	46,771	46,771	-	46,771
Total Expenditures	3,265,000	3,474,633	3,367,655	106,978
Excess of Revenue Under Expenditures	(552,260)	(761,893)	(408,120)	353,773
Other Financing Sources:				
5110 Transfers In	552,260	552,260	350,000	(202,260)
3110 Transfers in	332,200	502,200		
Net Change in Fund Balances	-	(209,633)	(58,120)	151,513
Fund Deficit Beginning	(235,063)	(235,063)	(235,063)	-

The accompanying supplementary notes are an integral part of this statement.

# SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS FOR RETIREE HEALTH INSURANCE COVERAGE

FOR THE YEAR ENDED JUNE 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actual Accrued Liability (AAL) - Entry Age (b)	l	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b - a) / c)
07/01/08	\$ 	\$ 746,980	\$	746,980	\$ -	\$ 12,294,791	6.1%
07/01/10	\$ -	\$ 891,518	\$	891,518	\$ -	\$ 14,393,534	6.2%
07/01/12	\$ _	\$ 268,659	\$	268,659	\$ -	\$ 14,906,255	1.8%

#### **Schedule of Employer Contributions**

Fiscal	Annual	
Year	Required	Percentage
Ended	Contribution	Contributed
06/30/10	\$ 86,438	21.96%
06/30/11	100,141	38.14%
06/30/12	100,141	19.02%
6/30/2013	29,022	-

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2013

#### 1. Budgets and Budgetary Accounting

The District followed these procedures in establishing the budgetary data reflected in the financial statements:

- 1) Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- 2) The proposed budget is considered by the School Board at the first regular meeting held in the month of May each year.
- 3) The proposed budget is published for public review no later than July 15<sup>th</sup> each year.
- 4) Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- 5) Before October 1<sup>st</sup> of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, with the exception of Fiduciary Funds.
- 6) After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
- 7) A line item for contingencies may be included in the annual budget. Such a line item may not exceed five percent of the total District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
- 8) If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
- 9) Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
- 10) Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds, with the exception of the Pension Fund as no appropriations were anticipated; therefore, a budget was not necessary. The intention of the District is to build a fund balance reserve in the Pension Fund.
- 11) The budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except for the following:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary Required Supplementary Information Schedule, the purchase of a bus would be reported as an expenditure of the Support Services/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2013

The District is confident the financial statements are accurate and is willing to accept the risk associated with the auditors preparing the financial statements; therefore, Finding 07-01 will be repeated for the year ending June 30, 2013 as 2013-001.

The District continues to work on having all adjustments made prior to the annual audit, but the results of the current audit again resulted in significant audit adjustments; therefore, Finding 09-01 will be repeated for the year ending June 30, 2013 as 2013-002.

The District continues to work on maintaining proper semi-annual certifications and documentation supporting the payroll allocations for federal grants as required by OMB Circular A-87, but failed to support time allocated to Special Education for one employee; therefore, Finding 10-01 is repeated for the year ending June 30, 2013 as 2013-003.

The Schedule of Expenditures of Federal Awards was not prepared by the District; therefore, Finding 10-02 will be repeated for the year ending June 30, 2013 as Finding 2013-001.

The District budgeted to use Special Education Fund balance creating a deficit; therefore, Finding 11-05 is repeated for the year ending June 30, 2013 as Finding 2013-005.

The District changed its food service coordinator, who has more attention to detail and a better understanding of the eligibility requirements of the Child Nutrition Program; no errors were identified during the audit process and Finding 11-01 will not be repeated for the year ending June 30, 2013.

The District assigned the administrative secretary the responsibility of obtaining the certified payrolls for construction projects that require Davis Bacon wages; therefore Finding 11-02 will not be repeated for the year ending June 30, 2013.

The District had no ARRA projects in fiscal year 2013; therefore Finding 11-03 will not be repeated for the year ending June 30, 2013.

The District had no issues regarding timing of June 2013 payroll taxes and the June 2013 bank reconciliation; therefore, finding 12-01 is not repeated for the year ending June 30, 2013.

The District maintained proper documentation of all grant reimbursements to include only current year expenditures. Finding 12-02 will not be repeated for the year ending June 30, 2013.

The District properly requested a waiver for Title I carryover in fiscal year 2013. Finding 12-03 will not be repeated for the year ending June 30, 2013.

Substitutes who are not highly qualified were not charged to Title I. Finding 12-04 will not be repeated for the year ending June 30, 2013.

The District timely completed the Special Education maintenance of effect calculation. Finding 12-05 will not be repeated for the year ending June 30, 2013.

## SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND CORRECTIVE ACTION PLANS JUNE 30, 2013

#### A. Summary of Audit Results

- 1. The auditor's report expresses an unmodified opinion on the financial statements of Douglas School District No. 51-1 (the District).
- 2. A material weakness and significant deficiencies were disclosed during the audit of the financial statements as reported in the <u>Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.</u>
- 3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
- 4 Material weaknesses and significant deficiencies were disclosed during the audit of the major federal award programs as reported in the <u>Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance as Required by OMB Circular A-133.</u>
- 5. The auditor's report on compliance for the major federal award programs for the District expresses an unmodified opinion.
- 6. The programs tested as major programs are:
  - Impact Aid Cluster, CFDA #84.041
  - Title I Grant to Local Educational Agencies Cluster, CFDA #84.010A
  - Special Education Cluster, CFDA #84.027A and #84.173A
  - Child Nutrition Cluster, CFDA #10.553 and #10.555
  - Promoting K-12 Student Achievement at Military-Connected Schools, CFDA #12.556
- 7. The threshold for distinguishing Type A and B programs was \$300,000.
- 8. The District was not determined to be a low-risk auditee.

#### B. FINDING - Financial Statement Audit

#### Material Weakness

2013-001 Finding: Preparation of Financial Statements and Schedule of Federal Awards

Condition and Cause: As in prior years, we were requested to draft the audited financial statements and related footnote disclosures and Schedule of Expenditures of Federal Awards (SEFA) as part of our regular audit services. From a practical standpoint, we do both for the District at the same time in connection with our audit. This is not unusual for us to do with organizations of the District's size.

Criteria and Effect: Accounting standards require auditors to communicate this situation to the School Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's financial statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. This deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by the District's management.

## SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND CORRECTIVE ACTION PLANS (CONTINUED) JUNE 30, 2013

#### B. FINDING -Financial Statement Audit (Continued)

#### Material Weakness (Continued)

2013-001 Finding: Preparation of Financial Statements and SEFA (Continued)

Questioned Costs: None

Recommendation: We have instructed management to review a draft of the auditor prepared financials and SEFA in detail for their accuracy; we have answered any questions they might have and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in the District's statements. We are satisfied that the appropriate steps have been taken to provide the District with the completed financial statements. It is the responsibility of management and the School Board to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response/Corrective Action Plan: Both management and the School Board have been informed of this process and are confident that the information is accurate and are willing to accept this risk. The Business Manager is responsible for the corrective action plan for this finding.

#### Significant Deficiencies

#### 2013-002 Finding: Internal Control over Significant Accounts

Condition and Cause: During the course of our engagement, we proposed several audit adjustments. The adjustments included adjusting property taxes receivable and deferred revenue, revenues and receivable, adjusting the accrual for self-health insurance, adjusting worker compensation liability, recording interfund balances for negative cash, and adjusting capital assets.

Criteria and Effect: District management is responsible for year-end account balances. These adjustments were not recorded through the District's existing internal controls, and therefore, resulted in misstatements of the District's financial statements. The adjustment to the health insurance accrual was the result of an overstatement of an estimate that was based on information provided by a third party, and actual results did not reflect the estimate.

Recommendation: We recommend management record these adjustments, which are necessary to comply with accounting principles generally accepted in the United States of America. Additionally, we recommend the District develop procedures to review account balances and record all necessary adjusting entries prior to audit fieldwork.

Response/Corrective Action Plan: The Business Office will develop procedures to review account balances and record necessary adjusting entries prior to audit fieldwork. The Business Manager is responsible for the corrective action plan for this finding.

2013-005 Finding: Budgetary Overdraft

Condition and Cause: The District budgeted expenditures in excess of revenues in the Special Education Fund in violation of South Dakota Codified Law (SDCL) 13-11-2.

Criteria and Effect: Per SDCL 13-11-2, by resolution the District shall adopt a levy in dollars sufficient to meet the District budget. This can also be accomplished by budgeting to apply fund balance as a revenue source, if that is the intent of the District. However, the Special Education Fund did not have an adequate fund balance to cover the budgeted deficit.

## SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND CORRECTIVE ACTION PLANS (CONTINUED) JUNE 30, 2013

#### B. FINDING -Financial Statement Audit (Concluded)

#### Significant Deficiencies (Continued)

2013-0005 Finding: Budgetary Overdraft (Continued)

Recommendation: We recommend the District include in their budgeting process an evaluation of the adequacy of the available fund balance to cover a budgeted deficit.

Response/Corrective Action Plan: The District will include in its budgeting process a line item under revenue to include any fund balance to be applied to balance the budget for any fund in the future. If necessary, an Impact Aid transfer will be made to ensure no fund is in deficit. The Business Manager is responsible for the corrective action plan for this finding.

## SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND CORRECTIVE ACTION PLANS (CONTINUED) JUNE 30, 2013

#### C. FINDINGS AND QUESTIONED COSTS - Major Federal Award Program Audit

Finding 2013-001 listed in Part B relates to all major federal programs as noted in Part A.

#### Material Weakness

2013-003 Finding: Documentation of Payroll Expenditures

Condition and Cause: During our testing of allowable costs, we noted the following:

- 1. We noted that the Title I/Special Education coordinator's time was charged based on a budgeted amount. The District adjusted such charges to Title I and Special Education based on time cards at year end, rather than quarterly.
- 2. We noted that one teacher was partially charged to Special Education via a journal entry. The time cards maintained by the District to support the allocation to the Special Education grant did not properly support the amount charged to Special Education and did not account for the total activity for which the teacher was compensated for. In addition, one time card selected could not be located by the district for the same teacher.
- 3. A new position was created for the math technology grant program. No semi-annual certification was prepared for this position.

Programs Affected: Title I Grant to Local Educational Agencies, CFDA #84.010A, Special Education Cluster, CFDA #84.027A and #84.173A, and Promoting K-12 Student Achievement at Military-Connected Schools, CFDA #12.556.

Criteria and Effect: Per OMB Circular A-87, when employees work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports that must meet the following standards: (1) must reflect after-the-fact distribution of the actual activity of each employee; (2) must account for the total activity for which each employee is compensated; (3) must be prepared at least monthly and must coincide with one or more pay periods; and (4) must be signed by the employee. Budget estimates or other distribution percentages determined before services are performed do not qualify as support for time charged to Federal awards, but may be used for interim accounting purposes, provided that (a) the governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (b) at least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made; and (c) the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Per OMB Circular A-87, when employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

#### Questioned Costs:

- 1. Title I: None
- 2. Special Education: Not exceeding \$10,000 reportable threshold.
- 3. Student Achievement: None

Recommendation: For the employees who work on multiple activities, we recommend the Business Manager prepare comparisons, at least quarterly, of actual costs to budgeted distributions based on the timecards maintained by the employees. Semi-annual certification should be prepared for all employees working solely on one federal program.

Response/Corrective Action Plan: For employees working on multiple activities, quarterly comparisons will be made to ensure the distributions for pay are accurate based on time card records. The Business Manager will be responsible for the corrective action plan for this finding.

## SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND CORRECTIVE ACTION PLANS (CONTINUED) JUNE 30, 2013

#### C. FINDINGS AND QUESTIONED COSTS - Major Federal Award Program Audit (Continued)

#### Significant Deficiency

2013-004 Finding: Verification of Free and Reduced Price Applications

Condition and Cause: During their verification of free and reduced price applications, the District incorrectly determined a student's eligibility based on using an incorrect income number from a tax return.

Programs Affected: Child Nutrition Cluster (CFDA #10.553 and #10.555)

Criteria and Effect: By November 15<sup>th</sup> of each school year, the District must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals. Eligibility is based on gross income regardless of income tax deductions. Noncompliance could result in reduced or eliminated funding at the discretion of the federal awarding agency.

Ouestioned Costs: Below the \$10,000 reportable threshold.

Recommendation: We recommend the District personnel obtain training on what income numbers to select from income tax returns for purposes of evaluating eligibility.

Response/Corrective Action Plan: Food Service Personnel have been trained on the proper way to verify income for free and reduced applications when tax returns are used, in addition to the other various forms of proof that can be provided, and will ensure accuracy regarding eligibility in the future. The Business Manager is responsible for the corrective action plan for this finding.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2013

	CFDA Numbers	Amount
U.S. Department of Agriculture:		
Pass-Through the S.D. Department of Education:		
Non-Cash Assistance		D 50 10 4
National School Lunch Program (Notes 3, 5 and 7)	10.555	\$ 58,134
Cash Assistance		105 501
School Breakfast Program (Notes 2, 3 and 5)	10.553	107,591
National School Lunch Program (Notes 2, 3 and 5)	10.555	394,198
Total Child Nutrition Cluster		559,923
Child and Adult Care Food Program	10.558	2,477
Total U.S. Department of Agriculture		562,400
U.S. Department of Defense: Direct Federal Funding: Promoting K-12 Student Achievement at Military Connected Schools (Note 3)	12.556	463,244
National Defense Authorization Act - Section 386	12.XXX	180,667
Total U.S. Department of Defense		643,911
U.S. Department of the Interior: Pass-Through the S.D. Department of Education: Taylor Grazing (Note 1)	15.226	77 .
National Mineral Leasing (Note 1)	15.227	3,642
Total U.S. Department of the Interior		3,719
U.S. Department of Education: Direct Federal Funding: Impact Aid Maintenance and Operations (Note 3) Pass-Through the S.D. Department of Education:	84.041	4,574,592
Title I Programs Local Educational Agencies (Note 3)	84.010A	577,593
Special Education State Grants (P.L. 94-142) (Notes 3 and 6)	84.027A	573,391
Vocational Education Basic Grants to States	84.048A	31,978
Title VII Indian Education Grant	84.060A	22,904
Special Education Preschool Grants (P.L. 99-457) (Notes 3 and 6)	84.173A	24,599
Improving Teacher Quality	84.367A	185,118
Total U.S. Department of Education		5,990,175
Total		\$ 7,200,205

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013

- Note 1: Federal reimbursements are not based on specific expenditures; therefore, the amounts reported here represent cash received rather than federal expenditures.
- Note 2: These amounts reflect cash received. Federal reimbursements are based on approved rates for services provided rather than reimbursement for specific expenditures.
- Note 3: This represents a major federal award program.
- Note 4: Basis of Presentation: The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting.
- Note 5: These are part of the Child Nutrition Cluster.
- Note 6: These are part of the Special Education Cluster.
- Note 7: These amounts include non-monetary assistance which is reported at fair market value of the commodities received and disbursed.

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# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

School Board Douglas School District No. 51-1 Meade and Pennington Counties, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of DOUGLAS SCHOOL DISTRICT NO. 51-1 (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 10, 2014.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, Questioned Costs, and Corrective Action Plans, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings, Questioned Costs, and Corrective Action Plans in Part B as Finding 2013-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings, Questioned Costs, and Corrective Action Plans in Part B as Finding 2013-002 and 2013-005 to be significant deficiencies.

School Board Douglas School District No. 51-1 Page Two

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings, Questioned Costs, and Corrective Action Plans in Part B as Finding 2013-005.

#### **District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying Schedule of Findings, Questioned Costs, and Corrective Action Plans. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

KETEL THORSTENSON, LLP Certified Public Accountants

February 24, 2014

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# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133

School Board Douglas School District No. 51-1 Meade and Pennington Counties, South Dakota

#### Report on Compliance for Each Major Federal Program

We have audited the compliance of DOUGLAS SCHOOL DISTRICT NO. 51-1 (the District) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

#### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

#### Unmodified Opinion on Each of the Major Federal Programs

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings, Questioned Costs, and Corrective Action Plans for the year ended June 30, 2013.

#### Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings, Questioned Costs, and Corrective Action Plans in Part C as 2013-003 and 2013-004. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings, Questioned Costs, and Corrective Action Plans. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

School Board Douglas School District No. 51-1 Page Two

#### **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings, Questioned Costs, and Corrective Action Plans in Part C as 2013-001 and 2013-003 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings, Questioned Costs, and Corrective Action Plans in Part C as 2013-004 to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings, Questioned Costs, and Corrective Action Plans. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

#### Purpose of Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

KETEL THORSTENSON, LLP Certified Public Accountants

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